BRITISH COLUMBIA

BC STATS

Ministry of
Management Services

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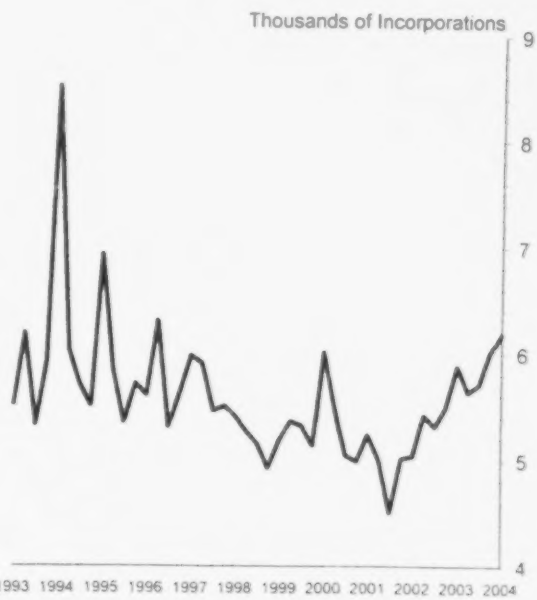
Small Business Quarterly ◆ 1st Quarter 2004

- The number of self-employed in BC continued to climb in the first quarter (+3.3% year-over-year). Both self-employed with (+2.2%) and without paid help (+4.2%) contributed to the rise. This was the twelfth consecutive quarterly increase in self-employed without paid help.
- The number of small businesses in BC (excluding self-employed persons) edged up 0.7% in the fourth quarter compared to the same period in 2002.
- Employment in all British Columbia businesses edged up 0.6% in the fourth quarter of 2003 compared to the same period a year earlier. Most of the growth was due to a 1.6% jump in employment in small businesses. Employment in larger businesses (50 or more employees) was flat (+0.1%). Over the entire year, small business employment expanded 1.3%, slightly greater than employment in larger businesses (+0.8%).
- The number of new business incorporations grew 5.1% in the first quarter of 2004 compared to the same quarter in 2003. This marked the eighth consecutive quarter in which there has been an increase.
- Business bankruptcies dropped considerably in the first quarter compared to the same period a year earlier (-19.5%). Consumer bankruptcies also experienced a significant decline, falling 6.8%. This is the sixth consecutive quarter where there has been a decline in the numbers of both business and consumer bankruptcies.
- Both commercial and industrial building permits issued in BC experienced substantial growth in the first quarter. Commercial permits increased 30.3% year-over-year, mostly on the strength of a 61.7% jump in permits issued in Vancouver. Industrial permits rose 16.0% despite a 56.1% drop in permits issued in Vancouver.
- The balance of opinion of manufacturers in BC is that production in the second quarter will increase, but there is still significant concern over both working capital and skilled labour shortages, particularly for smaller manufacturers that ship less than $10 million annually. Of these smaller manufacturers, 13% were experiencing a working capital shortage and 19% were looking at skilled labour shortages.

The number of new business incorporations in BC has been rising over the last two years

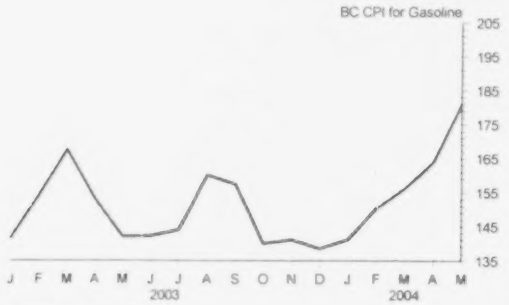


Small Business Suffers Gas Pains

Anyone who drives a car is aware that the price of gasoline has soared in recent months. While the price at the pump is an obvious indicator of one source of increased cost to consumers, there are other expenses involved with higher fuel costs that are less obvious. The rising price of gasoline is also a cost for businesses and sometimes this additional expense is passed on to the consumer.

Since April, the average price of gasoline in British Columbia jumped from approximately 82 cents a litre to just short of a dollar a litre early in June. This sudden hike is proving to be a burden for many businesses, particularly smaller businesses that have a small profit margin to begin with. While some of these businesses can pass the additional cost on to the consumer, for others it might be enough to push the customer away to substitute products.

Gasoline prices have soared recently



Source: Statistics Canada

It is already likely that many consumers are cutting back on other purchases to make room in their budgets for the higher cost of gasoline. This could cause some short-term pain for small businesses. However, in the longer-term, it is likely that if higher prices of gasoline persist, then consumers will adjust their behaviour by switching to a more fuel-efficient mode of transport. Already there appears to be an increased demand for fuel-efficient hybrid vehicles and motorbikes, and purchases of gas-guzzling SUVs are falling.

Businesses that stand to lose the most from gasoline inflation are those involved in transport. Independent truckers who don't have a lot of leeway in what they can charge their customers could stand to incur a significant loss. Companies that deliver products, such as florists, fast food franchises and so on, are another example of businesses that will see their costs rise. Taxi drivers could be doubly cursed by the high cost of gas. Not only will they pay more to fuel their cars, but also they could see fewer tourists using their services as airlines are forced to raise their prices, possibly pushing costs high enough to discourage travellers. Already Air Canada and West Jet Airlines have boosted their ticket prices marginally to recoup some of the costs of higher fuel prices. There is the possibility of even greater hikes to come.

In addition to higher airfare, the extra expense involved in filling a tank could discourage many of those people planning to travel by car. The potential for a decline in tourists could be extremely damaging for small businesses that rely on tourist spending, particularly following on the heels of a poor year due to the effects of SARS, the war in Iraq, and the forest fire situation in the BC Interior.

With all the potential domino effects that could work their way through the economy, it is not surprising that in a survey of its members, the Canadian Federation of Independent Business

found that energy prices were near the top of their list of concerns, second only to insurance premiums.[1] Of those responding to the survey, 64% said that energy prices have negatively affected performance in the last year, compared to 68% who cited insurance premiums as being harmful.[2] This was prior to the rapid inflation in gasoline prices that has occurred recently, so it is likely that in the next quarterly survey, this number will be even higher.

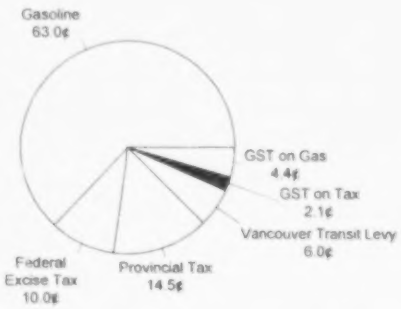
The skyrocketing price of gasoline has businesses and consumers alike pointing the finger, trying to assign blame. Often it is the independent retailer who is held responsible, but in fact, gasoline marketing margins have not changed much over the last year. Rather, it is the cost of refining the gasoline that has been responsible for a great deal of the price surge, along with rising prices for crude oil. The refiner margin, which is the difference between the price of crude oil and the wholesale price of refined gasoline, has risen significantly over the last few months.

The price incline has resulted from demand outstripping supply. The reason for the scarcity of supply is mainly due to a shortage of refining capacity. There simply aren't enough refineries in North America to keep up with burgeoning demand and the high cost of building a new refinery makes it unlikely that this situation will abate anytime soon.

In addition to crude oil, the refining margin and the marketing margin, the other significant portion of the cost of gasoline is the tax component. At current prices, taxes make up between 30 and 40 percent of the price of gasoline.

If a litre of gasoline were priced at one dollar in Greater Vancouver, 37.0 cents of that would be comprised of taxes. This includes a provincial levy of 14.5 cents per litre, the federal excise tax of 10.0 cents per litre and a regional transit levy of 6.0 cents per litre.[3] The remainder of the tax is the GST, including 2.1 cents that is actually a tax upon the other taxes.

Cost component breakdown of a litre of gasoline priced at $1/litre in Greater Vancouver



Despite the additional 6.0 cents per litre transit levy applied in Greater Vancouver, it does not rank as the jurisdiction with the highest percentage of taxes (based on a cost of $1 per litre) in Canada. That distinction goes to Montreal where consumers pay only a 1.5 cents per litre transit levy, but where the provincial sales tax of 7.5% is applied on top of all the costs, including the GST. If gasoline costs $1 per litre, only 54.1 cents of it is the gasoline component, with the remainder made up of various taxes, a total of 45.9 cents out of every

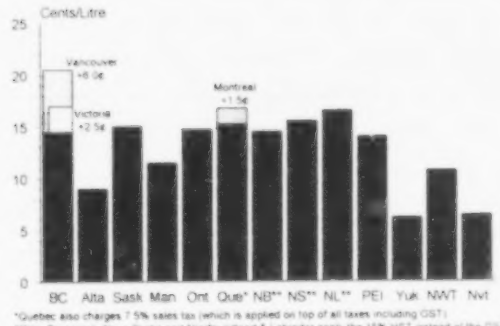
[1] See the article "Cost of Insurance is the Top Concern for Small Business in BC" in the 3rd Quarter 2003 issue of the *Small Business Quarterly* for a discussion of that issue.

[2] Canadian Federation of Independent Business, *Quarterly Business Barometer*, 2004 No. 1 (March 2004).

[3] This 6.0 cents per litre applies only to the GVRD. Victoria also pays a transit levy, but it is only 2.5 cents per litre. For the rest of the province, there is no additional levy.

dollar. This is compared to 37.0 cents in Vancouver.

Taxes on gasoline vary widely by province



*Quebec also charges 7.5% sales tax (which is applied on top of all taxes including GST).
**New Brunswick, Nova Scotia and Newfoundland & Labrador apply the 15% HST instead of the GST.

The rest of Quebec and the three provinces that have harmonized their sales taxes with the GST (New Brunswick, Nova Scotia, Newfoundland and Labrador) are the only other areas of the country where consumers pay a larger portion of taxes per litre of gasoline than Greater Vancouver (or Victoria, which pays a transit levy of 2.5 cents per litre).

Predictably, the historically high cost of gasoline has resulted in people lobbying for lower taxes. One of the prime targets is the portion of the GST that is a tax on other taxes.[4] Equally predictably, since this is an election year, several federal politicians have stepped up to either offer tax breaks or to suggest that a greater portion of taxes collected be returned to the provinces for purposes of road building and improving transit.

It remains to be seen whether or not taxes on gasoline will fall, but it is unlikely that the underlying price of gas will drop back to levels seen just several months ago. The growing demand for fuel coupled with a limited supply should keep prices at higher levels, although they may abate somewhat from where they are currently skirting the $1 per litre mark. If this is indeed not a temporary phenomenon, then both consumers and businesses will have to adjust to the higher cost. Perhaps they will be offered some relief from taxes, but it is likely that prices of 60 cents per litre of gasoline are gone for good. For businesses where the cost of fuel is a significant component of expenses, a choice will have to be made: either accept a smaller profit margin, or pass the costs on to consumers.

As mentioned earlier, for some companies, passing on the entire cost may not be a feasible option. Another problem is that, in some cases, the consumer is another business, which then is faced with the same options.

The overall effect of higher fuel costs may not make a substantial dent in the economy,[5] but it could have a more significant impact on some small businesses that simply do not have the option of raising their prices. In general, larger businesses have a wider range of options to deal with cost increases, including ramping up production to increase efficiency. For many small businesses, this is just not feasible.

On the other hand, situations like this are opportunities for entrepreneurs to invent a product substitute and small businesses with some foresight could grow into large businesses as a result. A case in point is Ballard Power, which has grown into a world leader in fuel

[4] In Quebec, where the provincial sales tax is applied after all other taxes have been added on, including the GST on top of the other taxes, consumers must pay a tax on a tax on a tax!

[5] According to an article in *The Globe and Mail*, the International Energy Agency calculated that a $10 increase in the price of oil would cause only a 0.5 percentage point decline in global GDP growth (Little, Bruce, "$41 crude long way from shock territory," *The Globe and Mail*, May 15, 2004), which is significant, but not catastrophic by any means.

cell technology. Perhaps the high cost of fuel will help that particular company take the next step toward bringing its technology to the mass market, or perhaps another company will come up with an alternative fuel or an alternative form of transportation that will diminish the demand for gasoline.

Time will tell what effect higher gasoline prices will have on the BC economy, but in the short-term it is almost certain to be a drag on small businesses and consumers. Over the longer term, both consumers and businesses alike may adapt by changing their gasoline consumption habits and substituting different products for ones in use now, whether they be more fuel-efficient vehicles, different methods or procedures for transporting goods, or a new product altogether that uses fuel cell or other technology.

Recent Feature Articles Listed by Issue Number

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(released Jun 2004)

03-4: *'Small Business is Embracing the Internet'*
(released Mar 2004)

03-3: *'Cost of Insurance is the Top Concern for Small Business in BC'*
(released Dec 2003)

03-2: *'Chartered Bank Business Loans Continue to Decline'*
(released Sep 2003)

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(released Mar 2003)

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(released Jan 2003)

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98-1: *'British Columbians Still Making Their Own Jobs'* (released May 1998)

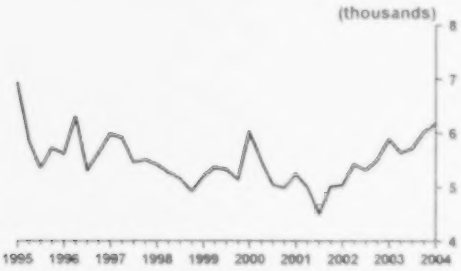
97-4: *'Business Bankruptcies Ease With Low Interest Rates, but Consumer Bankruptcies Continue to Climb'*
(released Mar 1998)

97-3: *'Co-operative Movement Grows Steadily In British Columbia'* (released Jan 1998)

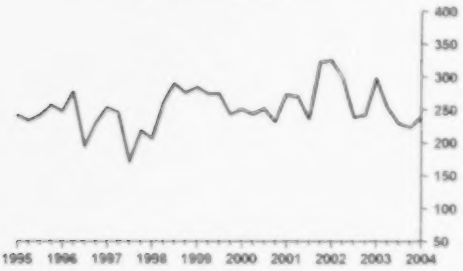
97-2: *'Doing Our Thing In Lotusland – The New Self-Employed In British Columbia'* (released Sep 1997)

Business Counts, Formations and Failures

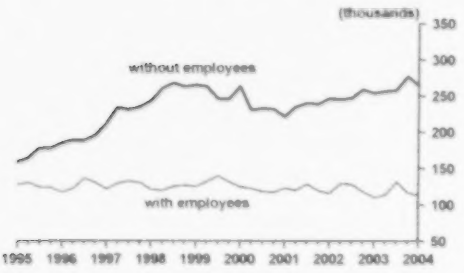
New Business Incorporations in British Columbia



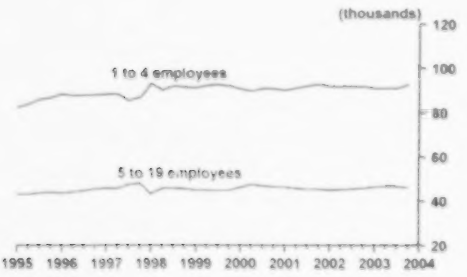
Number of Business Bankruptcies in British Columbia



Self-Employed Persons



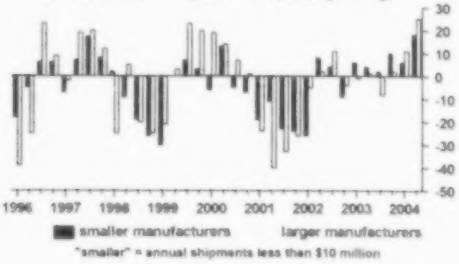
Small Businesses With Employees



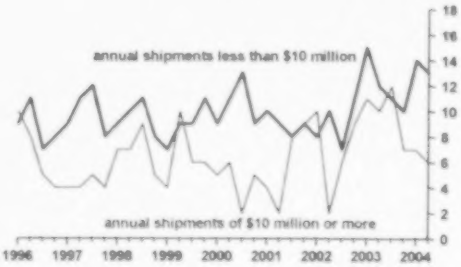
Business Conditions

Balance of Opinion on New Orders Received at Start of Quarter

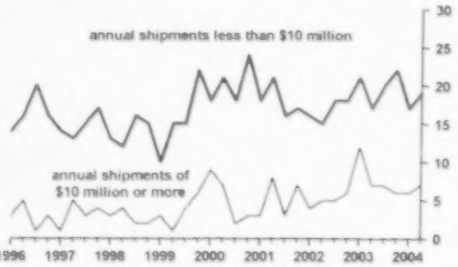
(% reporting rising less % reporting falling)



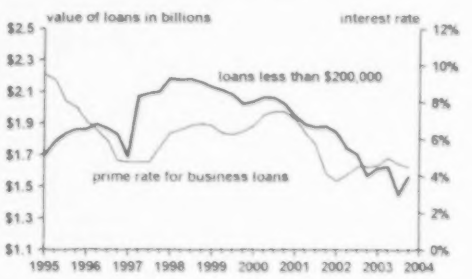
Per Cent of Manufacturers Experiencing Shortage of Working Capital



Per Cent of Manufacturers Experiencing Shortage of Skilled Labour



Chartered Bank Business Loans in British Columbia



Period	Active Employer Businesses [1] by number of employees						Employment [2] by number of employees in business				Self-employed [3]		
	Total	1-4	5-9	10-19	20-49	1-49	Total [4]	1-19	20-49	50+	Total [5]	with paid help	without paid help
	('000)						('000)				('000)		
Annual Averages													
1994	137.6	79.5	25.3	17.4	10.6	132.8					302.8	130.0	168.2
1995	143.7	84.7	26.0	17.6	10.7	138.9					302.5	127.3	169.7
1996	148.2	87.9	26.5	18.1	10.8	143.2					321.3	127.3	189.3
1997	150.9	87.2	27.5	19.2	11.7	145.5					361.4	129.0	225.9
1998	153.7	91.6	26.9	18.2	11.5	148.2					388.6	123.6	258.3
1999	154.6	92.0	26.8	18.2	11.9	148.9					392.6	132.5	254.9
2000	156.6	90.5	27.5	19.3	13.0	150.3	1,565.3	411.5	181.9	971.9	366.1	121.0	239.2
2001	156.9	91.5	27.2	18.5	12.4	149.7	1,585.7	412.3	186.3	987.1	360.4	123.1	233.3
2002	156.8	91.8	27.2	18.3	12.4	149.6	1,601.4	412.3	193.9	995.1	375.2	123.2	249.1
2003	157.6	91.4	27.8	18.7	12.5	150.4	1,626.2	417.1	200.2	1,008.8	383.7	118.7	261.1
% change 2002-2003	0.5%	-0.4%	2.5%	2.2%	0.9%	-0.1%	1.0%	0.0%	4.1%	0.8%	2.3%	-3.7%	4.8%
Quarterly	*End of Quarter*						*Quarterly*				*Quarterly Averages*		
2001 Q1	156.6	90.1	27.4	19.0	12.8	149.3	1,564.5	404.1	179.1	981.3	346.9	123.1	221.1
Q2	156.6	91.1	27.3	18.5	12.4	149.4	1,598.8	413.3	188.2	997.2	359.2	120.5	234.4
Q3	156.9	92.0	27.1	18.4	12.3	149.7	1,593.8	419.9	193.7	980.2	372.4	128.9	239.8
Q4	157.4	92.7	27.1	18.3	12.2	150.3	1,585.9	411.8	184.4	989.7	363.2	119.7	238.0
2002 Q1	156.2	91.9	27.0	18.2	12.1	149.1	1,562.7	401.5	181.8	979.4	366.1	116.3	246.2
Q2	156.5	91.7	27.0	18.2	12.3	149.3	1,606.2	412.8	197.4	996.0	376.0	129.7	245.0
Q3	157.0	91.7	27.3	18.3	12.5	149.7	1,615.5	420.0	200.5	995.0	378.7	128.4	246.7
Q4	157.6	91.8	27.3	18.5	12.6	150.3	1,621.1	415.1	195.9	1,010.1	380.0	118.6	258.3
2003 Q1	157.2	90.9	27.8	18.6	12.6	149.8	1,602.1	405.7	191.2	1,005.3	368.3	110.6	253.8
Q2	157.4	91.0	27.9	18.7	12.6	150.2	1,644.3	418.8	203.1	1,022.5	375.0	114.2	256.1
Q3	157.5	91.1	27.9	18.8	12.5	150.3	1,627.1	425.0	205.3	996.8	392.6	132.3	257.7
Q4	158.4	92.8	27.7	18.6	12.3	151.3	1,631.3	419.1	201.4	1,010.8	398.8	117.7	276.6
2004 Q1	-	-	-	-	-	-	-	-	-	-	380.3	113.0	264.5
% change year-over-year last available quarter	0.5%	1.1%	1.2%	0.4%	-2.7%	0.7%	0.6%	1.0%	2.8%	0.1%	3.3%	2.2%	4.2%
Monthly													
Jun-03											376.9	114.5	258.0
Jul-03											389.6	136.7	250.0
Aug-03											398.9	130.2	265.9
Sep-03											389.4	129.9	257.2
Oct-03											399.1	117.6	278.9
Nov-03											399.2	118.4	274.7
Dec-03											398.0	117.0	276.1
Jan-04											388.9	112.3	273.3
Feb-04											374.4	118.1	254.3
Mar-04											377.5	108.7	265.8
Apr-04											380.7	120.9	259.1
May-04											396.0	125.1	268.9
% change year-over-year last available month											5.3%	10.6%	4.2%
year-to-date	-	-	-	-	-	-	-	-	-	-	383.5	117.0	264.3

Notes:

[1] Source: Business Register

[2] Source: Survey of Employment, Payroll and Hours

[3] Source: Labour Force Survey

[4] Industrial aggregate excluding unclassified

[5] Total self-employed includes persons working in family business without pay

Source: Statistics Canada
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Period	Business Formation Indicators			Bankruptcies	
	New BC Business Incorporations	Registrations Extraprovincial Companies	Registrations Unincorporated Businesses	Business	Consumer
	(number)			(number)	
Annual Totals					
1993	22,955	1,778	15,939	830	4,122
1994	25,774	1,915	18,293	827	4,197
1995	23,846	1,966	19,279	973	4,747
1996	22,848	2,061	20,367	948	6,436
1997	22,958	2,188	19,863	895	7,366
1998	20,759	2,233	19,507	1,031	7,327
1999	21,009	2,366	20,917	1,075	8,179
2000	21,515	2,528	20,822	976	9,181
2001	19,749	2,479	21,306	1,100	9,474
2002	21,262	2,383	22,487	1,105	9,527
2003	23,243	2,544	25,121	1,002	9,393
% change 2002-2003	9.3%	6.8%	11.7%	-9.3%	-1.4%
Quarterly Totals					
2000 Q1	6,011	651	5,626	250	2,354
Q2	5,471	680	5,590	243	2,350
Q3	5,044	578	5,026	251	2,216
Q4	4,989	619	4,580	232	2,261
2001 Q1	5,236	714	5,400	272	2,503
Q2	4,997	663	5,853	270	2,483
Q3	4,504	546	4,959	236	2,232
Q4	5,012	556	5,094	322	2,256
2002 Q1	5,035	604	5,335	325	2,469
Q2	5,417	616	6,220	299	2,472
Q3	5,313	559	5,772	239	2,388
Q4	5,497	604	5,160	242	2,198
2003 Q1	5,878	694	6,878	297	2,467
Q2	5,638	674	6,642	253	2,463
Q3	5,711	547	5,852	229	2,272
Q4	6,016	629	5,749	223	2,191
2004 Q1	6,175	755	6,835	239	2,299
% change year-over-year last available quarter	5.1%	8.8%	-0.6%	-19.5%	-6.8%
Monthly					
Jun-03	2,047	238	2,003	93	840
Jul-03	1,837	179	2,133	81	821
Aug-03	1,818	170	1,732	61	684
Sep-03	2,056	198	1,987	87	767
Oct-03	2,023	204	2,194	75	827
Nov-03	2,050	206	1,848	73	709
Dec-03	1,943	219	1,707	75	655
Jan-04	2,115	251	2,168	79	665
Feb-04	2,015	224	2,152	71	757
Mar-04	2,045	280	2,515	89	877
Apr-04	-	-	-	94	730
May-04	-	-	-	-	-
year-to-date	6,175	755	6,835	333	3,029
% change year-over-year last available month	4.8%	23.3%	2.5%	2.2%	-15.3%

Sources: BC Ministry of Finance and Corporate Relations, Industry Canada

Period	Interest Rates: Bank Rate	Interest Rates: Prime Rate	Interest Rates: Conventional 5 Year Mortgage	Exchange Rate: Canadian $ Average Noon Spot Rate	Consumer Price Index: BC	Consumer Price Index: Vancouver*	Consumer Price Index: Victoria*
	(per cent)			(U.S. ¢)	(1992=100)		
Annual Averages							
1995	7.31	8.65	9.16	72.88	107.9	108.4	107.7
1996	4.53	6.06	7.93	73.34	108.9	109.2	108.7
1997	3.52	4.96	7.07	72.24	109.7	109.8	109.7
1998	5.10	6.60	6.93	67.48	110.0	110.4	110.0
1999	4.92	6.44	7.56	67.32	111.2	111.4	111.1
2000	5.77	7.27	8.35	67.34	113.3	113.9	113.0
2001	4.31	5.81	7.40	64.58	115.2	116.0	114.3
2002	2.71	4.21	7.02	63.69	117.9	118.6	117.4
2003	3.19	4.69	6.39	71.58	120.4	121.0	120.0
% change 2002-2003	N/A	N/A	N/A	12.4%	2.2%	2.0%	2.2%
difference 2002-2003	0.48	0.48	-0.63	N/A	N/A	N/A	N/A
Quarterly Averages							
2001 Q1	5.58	7.08	7.58	65.47	113.5	114.4	112.5
Q2	4.83	6.33	7.67	64.89	115.6	116.3	114.8
Q3	4.17	5.67	7.50	64.69	116.4	117.2	115.4
Q4	2.67	4.17	6.87	63.28	115.2	116.0	114.6
2002 Q1	2.25	3.75	7.05	62.72	116.0	116.8	115.5
Q2	2.58	4.08	7.37	64.35	118.0	118.8	117.5
Q3	3.00	4.50	6.85	63.97	118.7	119.4	118.3
Q4	3.00	4.50	6.80	63.72	118.8	119.6	118.4
2003 Q1	3.08	4.58	6.63	66.26	119.7	120.4	119.3
Q2	3.50	5.00	6.20	71.58	120.3	120.9	119.8
Q3	3.17	4.67	6.28	72.46	120.9	121.4	120.5
Q4	3.00	4.50	6.45	76.00	120.8	121.4	120.5
2004 Q1	2.67	4.17	5.85	75.90	121.2	121.8	121.0
% change year-over-year last available quarter	N/A	N/A	N/A	14.5%	1.3%	1.1%	1.4%
difference year-over-year last available quarter	-0.42	-0.42	-0.78	N/A	N/A	N/A	N/A
Monthly							
Jun-03	3.50	5.00	5.80	73.95	120.2	120.8	119.7
Jul-03	3.25	4.75	6.20	72.38	120.5	120.9	120.1
Aug-03	3.25	4.75	6.35	71.65	120.9	121.5	120.5
Sep-03	3.00	4.50	6.30	73.36	121.2	121.8	120.8
Oct-03	3.00	4.50	6.40	75.65	120.6	121.3	120.4
Nov-03	3.00	4.50	6.50	76.19	120.8	121.4	120.5
Dec-03	3.00	4.50	6.45	76.17	120.9	121.6	120.7
Jan-04	2.75	4.25	6.05	77.16	120.8	121.3	120.6
Feb-04	2.75	4.25	5.80	75.25	121.3	121.8	121.0
Mar-04	2.50	4.00	5.70	75.28	121.6	122.2	121.3
Apr-04	2.25	3.75	6.15	74.49	122.4	123.0	122.2
May-04	2.25	3.75	6.50	72.55	123.4	124.0	123.2
% change year-over-year last available month	N/A	N/A	N/A	0.4%	2.5%	2.6%	2.8%
difference year-over-year last available month	-1.25	-1.25	0.35	N/A	N/A	N/A	N/A

* Census Metropolitan Area

Sources: Bank of Canada, Statistics Canada

Period	Commercial Building Permits			Industrial Building Permits			Urban Housing Starts	
	BC	Vancouver*	Victoria*	BC	Vancouver*	Victoria*	BC	Vancouver*
	($ thousands)			($ thousands)			(number)	
Annual Totals								
1993	892,174	503,579	70,227	177,800	74,696	4,960	38,173	21,307
1994	1,075,471	632,415	84,002	175,311	69,495	7,963	34,619	20,473
1995	1,023,877	597,580	57,744	247,133	109,178	10,626	23,604	14,992
1996	1,225,837	675,541	88,661	252,646	151,875	5,499	24,744	15,453
1997	1,358,450	849,207	78,280	285,814	163,773	6,777	25,210	15,950
1998	1,311,124	810,117	76,173	273,279	160,652	15,858	17,631	11,878
1999	1,142,105	652,159	101,453	319,145	172,604	5,931	14,176	8,677
2000	1,297,270	868,865	76,834	295,525	147,574	14,763	12,353	8,203
2001	1,171,233	718,860	86,782	221,353	105,178	21,843	15,689	10,862
2002	1,116,741	746,220	104,278	230,119	129,291	9,167	20,315	13,197
2003	1,129,623	607,764	134,420	244,024	90,082	20,451	24,720	15,626
% change 2002-2003	1.2%	-18.6%	28.9%	6.0%	-30.3%	123.1%	21.7%	18.4%
Quarterly Totals								
2000 Q1	310,172	243,234	10,966	60,084	20,194	1,258	2,219	1,527
Q2	363,163	205,899	30,805	83,816	44,182	6,223	3,559	2,468
Q3	336,460	218,441	17,911	78,563	41,930	364	3,310	1,989
Q4	287,475	201,291	17,152	73,062	41,268	6,918	3,265	2,219
2001 Q1	273,963	162,249	23,467	65,245	30,677	9,657	2,946	2,149
Q2	406,173	271,274	26,720	56,965	21,011	2,133	4,619	3,620
Q3	280,778	159,138	15,570	57,121	29,033	7,512	4,176	2,802
Q4	210,319	126,199	21,025	42,022	24,457	2,541	3,948	2,291
2002 Q1	198,407	125,804	18,170	25,849	12,710	2,091	3,659	2,285
Q2	353,724	264,566	28,515	73,400	42,047	3,452	5,279	3,548
Q3	266,902	144,797	41,744	79,205	47,950	2,380	5,934	4,020
Q4	297,708	211,053	15,849	51,665	26,584	1,244	5,443	3,344
2003 Q1	200,086	107,691	27,775	40,679	22,785	1,003	4,206	2,588
Q2	313,669	156,577	29,849	65,985	16,043	1,500	6,097	3,740
Q3	355,162	159,179	54,930	75,441	28,652	12,986	7,678	5,146
Q4	260,706	184,317	21,866	61,919	22,602	4,962	6,739	4,152
2004 Q1	260,765	174,174	14,042	47,183	10,009	3,393	6,079	3,698
% change year-over-year last available quarter	30.3%	61.7%	-49.4%	16.0%	-56.1%	238.3%	44.5%	42.9%
Monthly								
Jun-03	106,703	49,407	18,837	16,070	7,673	507	2,051	1,214
Jul-03	131,182	57,733	14,196	35,241	10,131	10,009	2,621	1,691
Aug-03	98,753	54,779	12,243	16,783	5,973	1,091	2,331	1,509
Sep-03	125,227	46,667	28,491	23,417	12,548	1,886	2,726	1,946
Oct-03	86,520	70,281	1,609	30,595	9,160	4,580	2,812	1,981
Nov-03	93,824	48,471	17,227	20,284	9,467	181	2,122	1,140
Dec-03	80,362	65,565	3,030	11,040	3,975	201	1,805	1,031
Jan-04	107,775	84,062	2,858	6,975	1,989	309	2,284	1,619
Feb-04	68,432	42,402	7,501	24,863	5,372	2,595	1,773	1,054
Mar-04	84,558	47,710	3,683	15,345	2,648	489	2,022	1,025
Apr-04	95,776	67,202	6,207	13,824	7,680	528	3,663	2,479
May-04	-	-	-	-	-	-	-	-
year-to-date	356,541	241,376	20,249	61,007	17,689	3,921	9,742	6,177
% change year-over-year last available month	-7.1%	25.0%	55.1%	-62.5%	51.9%	-39.0%	66.7%	83.5%

* Census Metropolitan Area

Sources: Canada Mortgage and Housing, Statistics Canada

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Period	Chartered Bank Business Loans in British Columbia			
	Less than $200,000	$200,000 to $500,000	Greater than $500,000	Total
	($ millions)			
Annual Averages				
1994	1,779	1,222	8,551	11,551
1995	1,791	1,451	9,043	12,284
1996	1,861	1,508	9,162	12,530
1997	1,985	1,724	10,081	13,790
1998	2,172	1,825	11,077	15,074
1999	2,084	1,710	10,807	14,601
2000	2,045	1,605	10,575	14,224
2001	1,896	1,516	9,746	13,158
2002	1,710	1,393	9,373	12,475
2003	1,558	1,297	9,491	12,347
% change 2002-2003	-8.8%	-6.8%	1.3%	-1.0%
Quarterly				
1996 Q1	1,860	1,487	8,988	12,335
Q2	1,893	1,512	9,094	12,499
Q3	1,864	1,501	9,252	12,617
Q4	1,825	1,533	9,312	12,670
1997 Q1	1,686	1,534	9,853	13,073
Q2	2,068	1,751	9,751	13,570
Q3	2,088	1,770	10,337	14,195
Q4	2,098	1,841	10,384	14,323
1998 Q1	2,180	1,842	11,115	15,137
Q2	2,174	1,842	11,338	15,354
Q3	2,178	1,816	11,104	15,098
Q4	2,157	1,801	10,750	14,708
1999 Q1	2,128	1,792	10,908	14,828
Q2	2,108	1,735	10,975	14,818
Q3	2,080	1,686	10,876	14,642
Q4	2,020	1,627	10,467	14,114
2000 Q1	2,035	1,631	10,636	14,302
Q2	2,063	1,638	10,812	14,513
Q3	2,059	1,586	10,608	14,253
Q4	2,021	1,564	10,244	13,829
2001 Q1	1,942	1,561	10,171	13,674
Q2	1,890	1,539	9,552	12,981
Q3	1,873	1,502	9,599	12,974
Q4	1,879	1,461	9,662	13,002
2002 Q1	1,842	1,484	9,912	13,238
Q2	1,742	1,439	9,897	13,078
Q3	1,702	1,400	9,344	12,446
Q4	1,552	1,247	8,337	11,136
2003 Q1	1,599	1,312	9,159	12,070
Q2	1,626	1,327	9,795	12,748
Q3	1,445	1,292	9,700	12,437
Q4	1,563	1,258	9,311	12,132
2004 Q1	-	-	-	-
% change year-over-year last available quarter	0.7%	0.9%	11.7%	8.9%

Source: Bank of Canada

Period	Manufacturers' Outlook for Business Conditions Companies With Annual Shipments Less Than $10 Million Balance of Opinion at the Beginning of Quarter* (net of positive & negative percentages) Inventory Levels High or Low	Orders Rising or Falling	Anticipated Production This Quarter	Percent of Manufacturers Experiencing Production Difficulties From: Working Capital Shortage	Skilled Labour Shortage	Unskilled Labour Shortage
	(index)			(%)		
Annual Averages						
1995	5	5	6	12	16	2
1996	4	-3	2	9	17	1
1997	4	6	4	10	15	2
1998	8	-13	-7	10	14	1
1999	6	-5	5	9	16	2
2000	8	-1	6	11	20	2
2001	9	-19	-9	9	18	3
2002	1	-6	-1	9	17	3
2003	6	6	10	12	20	3
Quarterly						
1998 Q1	7	2	-8	9	13	0
Q2	7	-9	20	10	12	0
Q3	7	-19	-10	11	16	0
Q4	9	-26	-28	8	15	2
1999 Q1	4	-30	-18	7	10	2
Q2	10	0	23	9	15	0
Q3	6	7	20	9	15	2
Q4	5	3	-4	11	22	2
2000 Q1	4	-6	-8	9	18	1
Q2	10	13	26	11	21	2
Q3	8	-5	10	13	18	2
Q4	8	-7	-4	9	24	4
2001 Q1	6	-19	-10	10	18	2
Q2	13	-11	19	9	21	3
Q3	10	-23	-6	8	16	3
Q4	8	-24	-38	9	17	3
2002 Q1	3	-26	-16	8	16	4
Q2	2	8	27	10	15	2
Q3	-1	4	3	7	18	4
Q4	1	-9	-17	11	18	3
2003 Q1	6	6	2	15	21	3
Q2	6	4	21	12	17	1
Q3	8	2	10	11	20	2
Q4	5	10	7	10	22	4
2004 Q1	7	6	-3	14	17	4
Q2	4	18	31	13	19	4

* **Note:** For Inventory Levels, a positive balance indicates too much inventory, and is thus unfavourable. For New Orders and Production, a positive balance of opinion is favourable.

Note: These data are gathered from the *Business Conditions Survey*, which is conducted quarterly in January, April, July and October. Most responses are recorded in the first two weeks of these months. Manufacturers with more employees have a correspondingly larger impact on the results.

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Period	Manufacturers' Outlook for Business Conditions Companies With Annual Shipments of $10 Million or More Balance of Opinion at the Beginning of Quarter* (net of positive & negative percentages) Inventory Levels High or Low	Orders Rising or Falling	Anticipated Production This Quarter	Percent of Manufacturers Experiencing Production Difficulties From: Working Capital Shortage	Skilled Labour Shortage	Unskilled Labour Shortage
	(index)			(%)		
Annual Averages						
1995	2	18	8	5	4	0
1996	40	-8	-7	7	3	0
1997	29	12	12	4	3	1
1998	32	-16	-1	7	3	0
1999	19	6	10	7	4	0
2000	10	10	11	5	5	1
2001	24	-31	-5	6	5	0
2002	15	1	5	7	5	1
2003	16	-2	8	10	8	1
Quarterly						
1998 Q1	42	-25	-19	7	3	0
Q2	33	5	4	7	4	0
Q3	21	-20	12	9	2	0
Q4	31	-25	-1	5	2	1
1999 Q1	28	-21	5	4	3	0
Q2	30	3	6	10	1	0
Q3	11	23	22	6	4	0
Q4	5	20	6	6	6	0
2000 Q1	7	19	12	5	9	2
Q2	19	14	11	6	7	1
Q3	16	7	14	2	2	0
Q4	-4	1	6	5	3	0
2001 Q1	19	-24	-7	4	3	0
Q2	27	-40	4	2	8	0
Q3	37	-33	-9	8	3	1
Q4	14	-26	-7	9	7	0
2002 Q1	15	-5	-2	10	4	1
Q2	13	2	15	2	5	0
Q3	13	11	6	6	5	0
Q4	19	-4	-1	9	6	1
2003 Q1	16	-1	-10	11	12	0
Q2	13	1	17	10	7	0
Q3	21	-8	19	12	7	1
Q4	12	2	5	7	6	1
2004 Q1	5	11	-1	7	6	1
Q2	-3	25	25	6	7	1

* **Note:** For Inventory Levels, a positive balance indicates too much inventory, and is thus unfavourable. For New Orders and Production, a positive balance of opinion is favourable.

Note: These data are gathered from the *Business Conditions Survey*, which is conducted quarterly in January, April, July and October. Most responses are recorded in the first two weeks of these months. Manufacturers with more employees have a correspondingly larger impact on the results.

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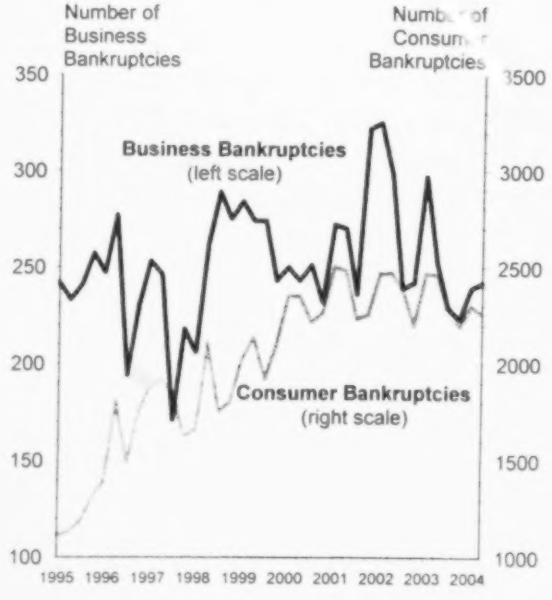
Small Business Quarterly ◆ 2nd Quarter 2004

- The number of small businesses in BC (excluding self-employed persons) edged up 0.7% in the second quarter compared to the same period in 2003.
- Year-over-year growth in small business employment was 2.7% in the second quarter, well above the 1.5% change in overall employment. Most of the increase was in businesses with 1 to 19 employees, where employment jumped 3.8%.
- The number of self-employed in BC increased to over 395 thousand in the second quarter, a 5.4% jump from the same quarter in 2003. Self-employed with paid help expanded a robust 9.0%, while self-employed without paid help also contributed to the rise, climbing 5.0%. This marked the thirteenth consecutive quarterly increase in self-employed without paid help.
- The number of new business incorporations experienced robust year-over-year growth of 17.1% in the second quarter. This was the largest number of new incorporations in a single quarter since the first quarter of 1995.
- For the seventh consecutive quarter, both business and consumer bankruptcies in BC have experienced year-over-year declines. Business bankruptcies dropped 4.3% in the second quarter and consumer bankruptcies fell 8.5%.
- Construction firms continue to be busy in British Columbia as urban housing starts were up 47.7% in the second quarter compared to the same quarter in 2003. In Vancouver there was an even larger increase in activity as housing starts jumped 62.1%. Low interest rates are helping drive demand for new housing. The Prime Rate remained at 3.75% in the second quarter while conventional five-year mortgage rates edged up slightly, but still remained relatively low, averaging 6.45% over the quarter.
- Chartered bank business loans edged up 0.6% in the second quarter, but loans less than $200,000 continued to decline, falling 5.0%. Loans of this size, which are more likely to be taken out by small businesses, have experienced declines in 20 of the last 22 quarters (i.e., since the beginning of 1999).

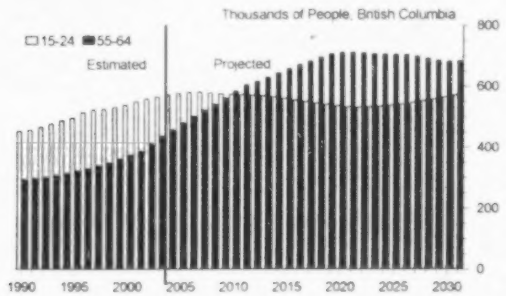
Both business and consumer bankruptcies in BC have been falling over the last couple of years



Small Business and Older Workers

As the baby boom generation ages, the talk about impending labour shortages increases. The problem is particularly acute for small businesses. In the latest *Business Conditions Survey,*[1] 20% of companies with annual shipments valued at under $10 million were experiencing a skilled labour shortage, a complaint that has been common over the last several years. For those companies shipping in excess of $10 million per year, 8% were having difficulty finding skilled labour. As the first wave of baby boomers reaches retirement age, this situation may be exacerbated.

Workers getting ready to leave the workforce will soon outnumber those coming into the workforce



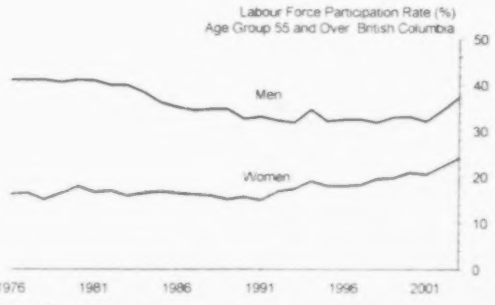
Source: BC Stats, Forecast 04/05

One option for employers having trouble finding qualified help is to look at hiring from groups that are under-represented in the labour force, such as seniors. However, according to a member survey by the Canadian Federation of Independent Business conducted in November 2002,[2] even though 52% of respondents in BC believed it would be harder to find employees in the next three years, almost three-quarters of them had no experience in hiring seniors. In addition, only 11% suggested pursuing under-represented groups in the labour market as a possible method of reducing the shortage of labour.

Some companies may hesitate to hire older workers because of misconceptions regarding their ability to work and worries over lost time due to illness. However, according to Statistics Canada's *Labour Force Survey* (LFS), in 2003, in British Columbia, total days of work lost for workers 55 and over averaged only slightly higher than the average for workers of all ages (13.1 days versus 12.8 days for all ages).[3]

Ageing baby boomers are generally healthier than were the cohort preceding them and, as a result, many are working longer, even past the traditional age of retirement. Labour force participation rates for those aged 55 and over have risen significantly in the last few years. This is true even for men, who had been experiencing a slow decline in participation rates over the last couple of decades.

Participation rates for those aged 55 and over are on the rise



Source: Statistics Canada

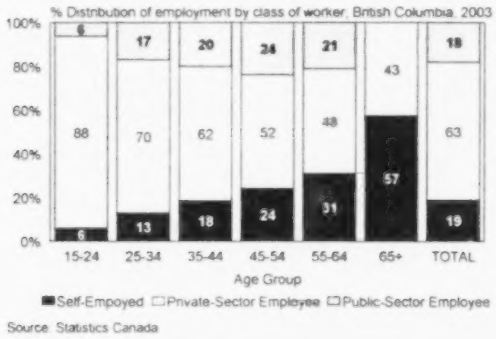
[1] The *Business Conditions Survey* is a quarterly survey of manufacturers done by Statistics Canada. The latest results from this survey were from July 2004.

[2] Canadian Federation of Independent Business, *Availability of Labour and Training Survey*, November 2002.

[3] Although, for older workers, more days lost were due to illness. Excluding maternity leave, the average days lost for workers of all ages were 9.5.

Self-employment is the route taken by many of these older workers, whether by choice or through necessity because no other employment is available. In fact, the likelihood of being self-employed increases with age. In 2003, in British Columbia, 19% of the labour force was self-employed, compared to 31% of those aged 55 to 64 and 57% of those aged 65 and over.

The likelihood of self-employment increases with age

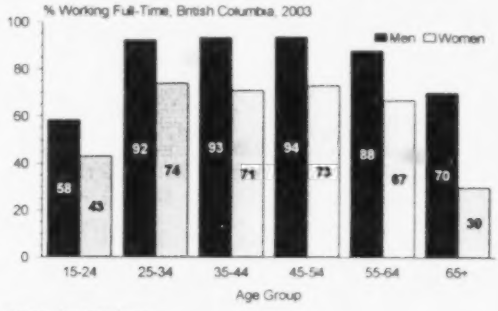


Source: Statistics Canada

For businesses with employees, there is not much difference between small and large businesses in the percentage of employees comprised of workers aged 55 and over, although smaller businesses do tend to employ more seniors (65 and over).

Although there may still be a hesitance on the part of employers to hire older workers, some businesses are coming to the realization that these older employees offer potential benefits, mainly in the form of flexibility. Many older workers, particularly seniors, are not looking for full-time, permanent employment; rather, they prefer part-time employment. Seniors, especially women, are the least likely to be working full-time. For the large majority of these (81%), the reason for working part-time is a personal preference. Many are also willing to take temporary work, such as seasonal employment, allowing businesses to hire additional staff when needed (such as during the Christmas rush), without having to retain them during the slow times. Of BC workers aged 65 and over in 2003, 20% worked in temporary jobs, almost twice the ratio for all employees (12%). Only young workers aged 15 to 24 had a higher proportion of temporary workers (29%), which is not all that surprising considering that many students work in summer jobs to put themselves through school.

Older workers, particularly women, are less likely to be working full-time



Source: Statistics Canada

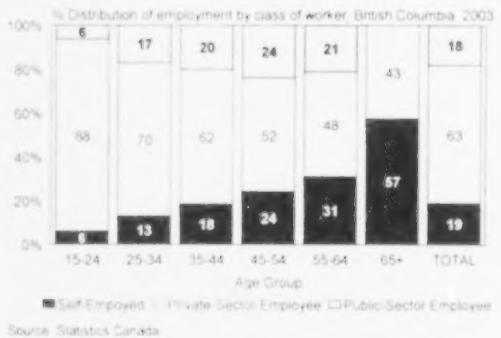
As with the employed labour force in general, seniors in BC work mostly in the service sector (77%), although 10% of employees 65 and over work in the construction industry, which compares to only 5% of employees as a whole. This may be because the construction industry offers more flexibility in terms of working hours. Seniors are also over-represented in finance, insurance and real estate (15% compared to 6% of all employees) and 'other services' (11% versus 4% for all employees).[4]

The choice of industry is due to a number of factors, including physical and educational requirements. In general, those who are more highly educated are also more likely to continue working beyond age 65 than those with less

[4] 'Other services' include repair and maintenance, personal and laundry services, religious and civic organizations, for example

Self-employment is the route taken by many of these older workers, whether by choice or through necessity because no other employment is available. In fact, the likelihood of being self-employed increases with age. In 2003, in British Columbia, 19% of the labour force was self-employed, compared to 31% of those aged 55 to 64 and 57% of those aged 65 and over.

The likelihood of self-employment increases with age



Source: Statistics Canada

For businesses with employees, there is not much difference between small and large businesses in the percentage of employees comprised of workers aged 55 and over, although smaller businesses do tend to employ more seniors (65 and over).

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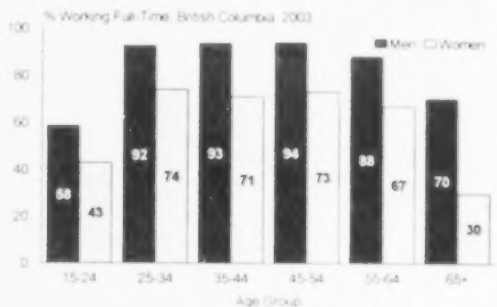
Older workers, particularly women, are less likely to be working full-time



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[4] 'Other services' include repair and maintenance, personal and laundry services, religious and civic organizations, for example

schooling.[5] As such, seniors are probably more disposed to work in jobs that have higher educational qualifications. This, combined with physical abilities that wane with age, steers seniors away from labour-intensive jobs (although the significant percentage of seniors in construction seems to belie that fact). Another determinant of where seniors work is mandatory retirement restrictions. Most public sector jobs, for example, are off limits to seniors due to enforced retirement at age 65.

With people living longer[6] and healthier lives, perhaps the time has come to reconsider the concept of mandatory retirement. If some people wish to keep working beyond the age of 65 and the labour shortage continues to become more pronounced, it seems foolish to arbitrarily prevent those people from continuing to work.

One thing that is certain is that the leading edge of the baby boom generation will soon reach retirement age. If most choose to retire at, or before, age 65, the annual number of workers leaving the labour force will be far in excess of anything experienced to date. While hiring, or retaining older workers is only one of the options available to deal with the possible labour shortage that could result, it is certainly one worth considering.

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[5] Duchesne, Doreen, "More Seniors at Work," *Perspectives, Statistics Canada catalogue no. 75-001-XPE* (Spring 2004).

[6] In BC, the life expectancy of a man at age 65 in 1950 was under 14 years, but by 2003 that had increased to over 18 years. The comparable numbers for women are just under 16 years in 1950 and over 21 years in 2003.

Recent Feature Articles Listed by Issue Number

04-2: *'Small Business and Older Workers'* (released Oct 2004)

04-1: *'Small Business Suffers Gas Pains'* (released Jun 2004)

03-4: *'Small Business is Embracing the Internet'* (released Mar 2004)

03-3: *'Cost of Insurance is the Top Concern for Small Business in BC'* (released Dec 2003)

03-2: *'Chartered Bank Business Loans Continue to Decline'* (released Sep 2003)

03-1: *'Moonlighting in British Columbia'* (released Jun 2003)

02-4: *'Stay-at-Home Workers'* (released Mar 2003)

02-3: *'Profile of Women Entrepreneurs'* (released Jan 2003)

02-2: *'A Comparison of Small Business Size, 1993 and 2001'* (released Sep 2002)

02-1: *'Will Retiring Boomers Lead to Labour Bust?'* (released Jun 2002)

01-4: *'Expectations of Manufacturers Showing Signs of Improvement'* (released Mar 2002)

01-3: *'Business and Consumer Bankruptcies are on the Rise in BC'* (released Jan 2002)

01-2: *'The Benefits and Costs of a Higher Minimum Wage'* (released Nov 2001)

01-1: *'Small Business On-Line: Internet Use Among SMEs'* (released Sep 2001)

00-4: *'Co-operatives Grew Steadily Throughout the 1990s'* (released May 2001)

00-3: *'Profile of Self-Employed in British Columbia'* (released Mar 2001)

00-2: *'Latest Small Business Employment Numbers Show Three Year Changes'* (released Jan 2001)

00-1: *'Some Distinctive Features of The Small Business Workplace'* (released Oct 2000)

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99-3: *'755 Thousand British Columbians Rely On Small Businesses For Jobs'* (released Mar 2000)

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99-1: *'Self-Employment In* British Columbia Takes On New Profile' (released Sep 1999)

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98-3: *'The Long and the Short of Working Hours For Self-Employed'* (released Dec1998)

98-2: *'People Trying Self-Employment As A Second Job'* (released Aug 1998)

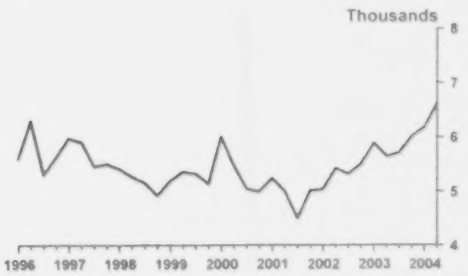
98-1: *'British Columbians Still Making Their Own Jobs'* (released May 1998)

97-4: *'Business Bankruptcies Ease With Low Interest Rates, but Consumer Bankruptcies Continue to Climb'* (released Mar 1998)

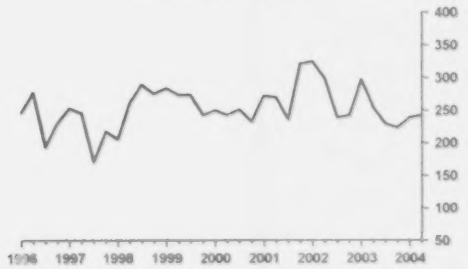
97-3: *'Co-operative Movement Grows Steadily In British Columbia'* (released Jan 1998)

Business Counts, Formations and Failures

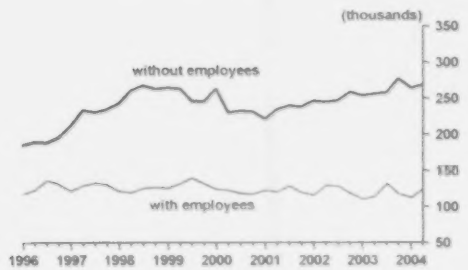
New Business Incorporations in British Columbia



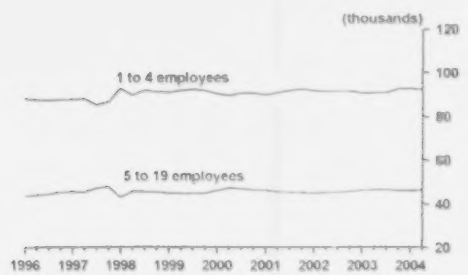
Number of Business Bankruptcies in British Columbia



Self-Employed Persons



Small Businesses With Employees

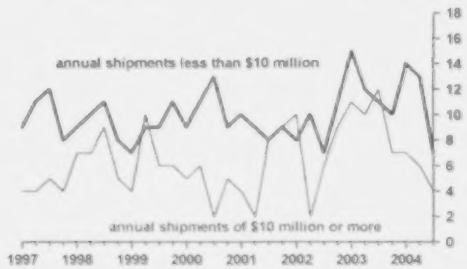


Business Conditions

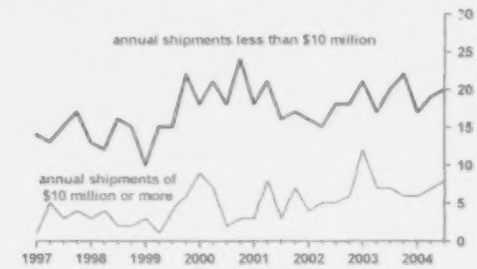
Balance of Opinion on New Orders Received at Start of Quarter

(% reporting rising less % reporting falling)

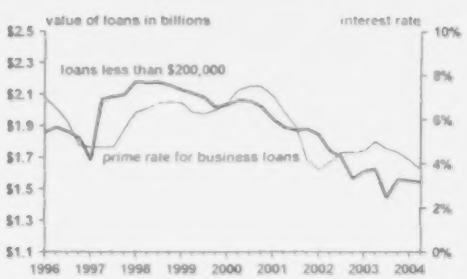
Per Cent of Manufacturers Experiencing Shortage of Working Capital



Per Cent of Manufacturers Experiencing Shortage of Skilled Labour



Chartered Bank Business Loans in British Columbia



Small Business Quarterly

Table 1

Period	Active Employer Businesses [1] by number of employees						Employment [2] by number of employees in business				Self-employed [3]		
	Total	1-4	5-9	10-19	20-49	1-49	Total [4]	1-19	20-49	50+	Total [5]	with paid help	without paid help
	('000)						('000)				('000)		
Annual Averages													
1995	143.7	84.7	26.0	17.6	10.7	138.9					302.5	127.3	169.7
1996	148.2	87.9	26.5	18.1	10.8	143.2					321.3	127.3	189.3
1997	150.9	87.2	27.5	19.2	11.7	145.5					361.4	129.0	225.9
1998	153.7	91.6	26.9	18.2	11.5	148.2					388.6	123.6	258.3
1999	154.6	92.0	26.8	18.2	11.9	148.9					392.6	132.5	254.9
2000	156.6	90.5	27.5	19.3	13.0	150.3	1,565.3	411.5	181.9	971.9	366.1	121.0	239.2
2001	156.9	91.5	27.2	18.5	12.4	149.7	1,585.7	412.3	186.3	987.1	360.4	123.1	233.3
2002	156.8	91.8	27.2	18.3	12.4	149.6	1,601.4	412.3	193.9	995.1	375.2	123.2	249.1
2003	157.6	91.4	27.8	18.7	12.5	150.4	1,626.2	417.1	200.2	1,008.8	383.7	118.7	261.1
% change 2002-2003	0.5%	-0.4%	2.5%	2.2%	0.9%	-0.1%	1.0%	0.0%	4.1%	0.8%	2.3%	-3.7%	4.8%
Quarterly	*End of Quarter*						*Quarterly*				*Quarterly Averages*		
2001 Q1	156.6	90.1	27.4	19.0	12.8	149.3	1,564.5	404.1	179.1	981.3	346.9	123.1	221.1
Q2	156.6	91.1	27.3	18.5	12.4	149.4	1,598.8	413.3	188.2	997.2	359.2	120.5	234.4
Q3	156.9	92.0	27.1	18.4	12.3	149.7	1,593.8	419.9	193.7	980.2	372.4	128.9	239.8
Q4	157.4	92.7	27.1	18.3	12.2	150.3	1,585.9	411.8	184.4	989.7	363.2	119.7	238.0
2002 Q1	156.2	91.9	27.0	18.2	12.1	149.1	1,562.7	401.5	181.8	979.4	366.1	116.3	246.2
Q2	156.5	91.7	27.0	18.2	12.3	149.3	1,606.2	412.8	197.4	996.0	376.0	129.7	245.0
Q3	157.0	91.7	27.3	18.3	12.5	149.7	1,615.5	420.0	200.5	995.0	378.7	128.4	246.7
Q4	157.6	91.8	27.3	18.5	12.6	150.3	1,621.1	415.1	195.9	1,010.1	380.0	118.6	258.3
2003 Q1	157.2	90.9	27.8	18.6	12.6	149.8	1,602.1	405.7	191.2	1,005.3	368.3	110.6	253.8
Q2	157.4	91.0	27.9	18.7	12.6	150.2	1,644.3	418.8	203.1	1,022.5	375.0	114.2	256.1
Q3	157.5	91.1	27.9	18.8	12.5	150.3	1,627.1	425.0	205.3	996.8	392.6	132.3	257.7
Q4	158.4	92.8	27.7	18.6	12.3	151.3	1,631.3	419.1	201.4	1,010.8	398.8	117.7	276.6
2004 Q1	158.7	93.0	27.5	18.7	12.3	151.6	1,613.0	415.3	196.9	1,000.7	380.3	113.0	264.5
Q2	158.5	92.5	27.7	18.8	12.3	151.3	1,669.4	434.8	203.7	1,030.9	395.1	124.5	268.9
% change year-over-year last available quarter	0.7%	1.7%	-0.7%	0.4%	-2.2%	0.7%	1.5%	3.8%	0.3%	0.8%	5.4%	9.0%	5.0%
Monthly													
Sep-03											389.4	129.9	257.2
Oct-03											399.1	117.6	278.9
Nov-03											399.2	118.4	274.7
Dec-03											398.0	117.0	276.1
Jan-04											388.9	112.3	273.3
Feb-04											374.4	118.1	254.3
Mar-04											377.5	108.7	265.8
Apr-04											380.7	120.9	259.1
May-04											396.0	125.1	268.9
Jun-04											408.6	127.5	278.7
Jul-04											407.6	145.3	261.0
Aug-04											402.9	135.4	266.5
% change year-over-year last available month											1.0%	4.0%	0.2%
year-to-date	-	-	-	-	-	-	-	-	-	-	392.1	124.2	266.0

Notes:

[1] Source: Business Register

[2] Source: Survey of Employment, Payroll and Hours

[3] Source: Labour Force Survey

[4] Industrial aggregate excluding unclassified

[5] Total self-employed includes persons working in family business without pay

Source: Statistics Canada
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BC Stats (250) 387-0376

Period	Business Formation Indicators: New BC Business Incorporations	Business Formation Indicators: Registrations Extraprovincial Companies (number)	Business Formation Indicators: Registrations Unincorporated Businesses	Bankruptcies: Business (number)	Bankruptcies: Consumer (number)
Annual Totals					
1994	25,774	1,915	18,293	827	4,197
1995	23,846	1,966	19,279	973	4,747
1996	22,848	2,061	20,367	948	6,436
1997	22,958	2,188	19,863	895	7,366
1998	20,759	2,233	19,507	1,031	7,327
1999	21,009	2,366	20,917	1,075	8,179
2000	21,515	2,528	20,822	976	9,181
2001	19,749	2,479	21,306	1,100	9,474
2002	21,262	2,383	22,487	1,105	9,527
2003	23,243	2,544	25,121	1,002	9,393
% change 2002-2003	9.3%	6.8%	11.7%	-9.3%	-1.4%
Quarterly Totals					
2000 Q1	6,011	651	5,626	250	2,354
Q2	5,471	680	5,590	243	2,350
Q3	5,044	578	5,026	251	2,216
Q4	4,989	619	4,580	232	2,261
2001 Q1	5,236	714	5,400	272	2,503
Q2	4,997	663	5,853	270	2,483
Q3	4,504	546	4,959	236	2,232
Q4	5,012	556	5,094	322	2,256
2002 Q1	5,035	604	5,335	325	2,469
Q2	5,417	616	6,220	299	2,472
Q3	5,313	559	5,772	239	2,388
Q4	5,497	604	5,160	242	2,198
2003 Q1	5,878	694	6,878	297	2,467
Q2	5,638	674	6,642	253	2,463
Q3	5,711	547	5,852	229	2,272
Q4	6,016	629	5,749	223	2,191
2004 Q1	6,175	755	6,835	239	2,299
Q2	6,602	547	6,749	242	2,254
% change year-over-year last available quarter	17.1%	-18.8%	1.6%	-4.3%	-8.5%
Monthly					
Sep-03	2,056	198	1,987	87	767
Oct-03	2,023	204	2,194	75	827
Nov-03	2,050	206	1,848	73	709
Dec-03	1,943	219	1,707	75	655
Jan-04	2,115	251	2,168	79	665
Feb-04	2,015	224	2,152	71	757
Mar-04	2,045	280	2,515	89	877
Apr-04	2,109	128	2,321	94	730
May-04	2,156	225	2,186	73	692
Jun-04	2,337	194	2,242	75	832
Jul-04	2,075	243	1,994	68	618
Aug-04	2,031	165	1,915	74	610
year-to-date	16,883	1,710	17,493	623	5,781
% change year-over-year last available month	11.7%	-2.9%	10.6%	21.3%	-10.8%

Sources: BC Ministry of Finance and Corporate Relations, Industry Canada

Period	Interest Rates: Bank Rate	Interest Rates: Prime Rate	Interest Rates: Conventional 5 Year Mortgage	Exchange Rate: Canadian $ Average Noon Spot Rate	Consumer Price Index: BC	Consumer Price Index: Vancouver*	Consumer Price Index: Victoria*
	(per cent)			(U.S. ¢)	(1992=100)		
Annual Averages							
1996	4.53	6.06	7.93	73.34	108.9	109.2	108.7
1997	3.52	4.96	7.07	72.24	109.7	109.8	109.7
1998	5.10	6.60	6.93	67.48	110.0	110.4	110.0
1999	4.92	6.44	7.56	67.32	111.2	111.4	111.1
2000	5.77	7.27	8.35	67.34	113.3	113.9	113.0
2001	4.31	5.81	7.40	64.58	115.2	116.0	114.3
2002	2.71	4.21	7.02	63.69	117.9	118.6	117.4
2003	3.19	4.69	6.39	71.58	120.4	121.0	120.0
% change 2002-2003	N/A	N/A	N/A	12.4%	2.2%	2.0%	2.2%
difference 2002-2003	0.48	0.48	-0.63	N/A	N/A	N/A	N/A
Quarterly Averages							
2001 Q1	5.58	7.08	7.58	65.47	113.5	114.4	112.5
Q2	4.83	6.33	7.67	64.89	115.6	116.3	114.8
Q3	4.17	5.67	7.50	64.69	116.4	117.2	115.4
Q4	2.67	4.17	6.87	63.28	115.2	116.0	114.6
2002 Q1	2.25	3.75	7.05	62.72	116.0	116.8	115.5
Q2	2.58	4.08	7.37	64.35	118.0	118.8	117.5
Q3	3.00	4.50	6.85	63.97	118.7	119.4	118.3
Q4	3.00	4.50	6.80	63.72	118.8	119.6	118.4
2003 Q1	3.08	4.58	6.63	66.26	119.7	120.4	119.3
Q2	3.50	5.00	6.20	71.58	120.3	120.9	119.8
Q3	3.17	4.67	6.28	72.46	120.9	121.4	120.5
Q4	3.00	4.50	6.45	76.00	120.8	121.4	120.5
2004 Q1	2.67	4.17	5.85	75.90	121.2	121.8	121.0
Q2	2.25	3.75	6.45	73.57	123.1	123.7	123.0
% change year-over-year last available quarter	N/A	N/A	N/A	2.8%	2.3%	2.3%	2.6%
difference year-over-year last available quarter	-1.25	-1.25	0.25	N/A	N/A	N/A	N/A
Monthly							
Oct-03	3.00	4.50	6.40	75.65	120.6	121.3	120.4
Nov-03	3.00	4.50	6.50	76.19	120.8	121.4	120.5
Dec-03	3.00	4.50	6.45	76.17	120.9	121.6	120.7
Jan-04	2.75	4.25	6.05	77.16	120.8	121.3	120.6
Feb-04	2.75	4.25	5.80	75.25	121.3	121.8	121.0
Mar-04	2.50	4.00	5.70	75.28	121.6	122.2	121.3
Apr-04	2.25	3.75	6.15	74.49	122.4	123.0	122.2
May-04	2.25	3.75	6.50	72.55	123.4	124.0	123.2
Jun-04	2.25	3.75	6.70	73.66	123.6	124.1	123.5
Jul-04	2.25	3.75	6.55	75.65	123.4	123.9	123.3
Aug-04	2.25	3.75	6.30	76.23	123.3	124.0	123.3
Sep-04	2.50	4.00	6.30	77.65	-	-	-
% change year-over-year last available month	N/A	N/A	N/A	5.9%	2.0%	2.1%	2.3%
difference year-over-year last available month	-0.50	-0.50	0.00	N/A	N/A	N/A	N/A

* Census Metropolitan Area

Period	Commercial Building Permits			Industrial Building Permits			Urban Housing Starts	
	BC	Vancouver*	Victoria*	BC	Vancouver*	Victoria*	BC	Vancouver*
	($ thousands)			($ thousands)			(number)	
Annual Totals								
1994	1,075,471	632,415	84,002	175,311	69,495	7,963	34,619	20,473
1995	1,023,877	597,580	57,744	247,133	109,178	10,626	23,604	14,992
1996	1,225,837	675,541	88,661	252,646	151,875	5,499	24,744	15,453
1997	1,358,450	849,207	78,280	285,814	163,773	6,777	25,210	15,950
1998	1,311,124	810,117	76,173	273,279	160,652	15,858	17,631	11,878
1999	1,142,105	652,159	101,453	319,145	172,604	5,931	14,176	8,677
2000	1,297,270	868,865	76,834	295,525	147,574	14,763	12,353	8,203
2001	1,171,233	718,860	86,782	221,353	105,178	21,843	15,689	10,862
2002	1,116,741	746,220	104,278	230,119	129,291	9,167	20,315	13,197
2003	1,129,623	607,764	134,420	244,024	90,082	20,451	24,720	15,626
% change 2002-2003	1.2%	-18.6%	28.9%	6.0%	-30.3%	123.1%	21.7%	18.4%
Quarterly Totals								
2000 Q1	310,172	243,234	10,966	60,084	20,194	1,258	2,219	1,527
Q2	363,163	205,899	30,805	83,816	44,182	6,223	3,559	2,468
Q3	336,460	218,441	17,911	78,563	41,930	364	3,310	1,989
Q4	287,475	201,291	17,152	73,062	41,268	6,918	3,265	2,219
2001 Q1	273,963	162,249	23,467	65,245	30,677	9,657	2,946	2,149
Q2	406,173	271,274	26,720	56,965	21,011	2,133	4,619	3,620
Q3	280,778	159,138	15,570	57,121	29,033	7,512	4,176	2,802
Q4	210,319	126,199	21,025	42,022	24,457	2,541	3,948	2,291
2002 Q1	198,407	125,804	18,170	25,849	12,710	2,091	3,659	2,285
Q2	353,724	264,566	28,515	73,400	42,047	3,452	5,279	3,548
Q3	266,902	144,797	41,744	79,205	47,950	2,380	5,934	4,020
Q4	297,708	211,053	15,849	51,665	26,584	1,244	5,443	3,344
2003 Q1	200,086	107,691	27,775	40,679	22,785	1,003	4,206	2,588
Q2	313,669	156,577	29,849	65,985	16,043	1,500	6,097	3,740
Q3	355,162	159,179	54,930	75,441	28,652	12,986	7,678	5,146
Q4	260,706	184,317	21,866	61,919	22,602	4,962	6,739	4,152
2004 Q1	260,765	174,174	14,042	47,183	10,009	3,393	6,079	3,698
Q2	374,087	266,254	17,076	79,588	41,841	1,791	9,008	6,064
% change year-over-year last available quarter	19.3%	70.0%	-42.8%	20.6%	160.8%	19.4%	47.7%	62.1%
Monthly								
Sep-03	125,227	46,667	28,491	23,417	12,548	1,886	2,726	1,946
Oct-03	86,520	70,281	1,609	30,595	9,160	4,580	2,812	1,981
Nov-03	93,824	48,471	17,227	20,284	9,467	181	2,122	1,140
Dec-03	80,362	65,565	3,030	11,040	3,975	201	1,805	1,031
Jan-04	107,775	84,062	2,858	6,975	1,989	309	2,284	1,619
Feb-04	68,432	42,402	7,501	24,863	5,372	2,595	1,773	1,054
Mar-04	84,558	47,710	3,683	15,345	2,648	489	2,022	1,025
Apr-04	96,063	67,202	6,207	13,719	7,680	528	3,499	2,479
May-04	94,716	70,163	4,876	17,654	8,643	846	2,856	1,856
Jun-04	183,308	128,889	5,993	48,215	25,518	417	2,653	1,729
Jul-04	78,964	47,377	4,224	26,916	14,890	435	2,569	1,467
Aug-04	-	-	-	-	-	-	3,384	2,288
year-to-date	713,816	487,805	35,342	153,687	66,740	5,619	21,040	13,517
% change year-over-year last available month	-39.8%	-17.9%	-70.2%	-23.6%	47.0%	-95.7%	45.2%	51.6%

* Census Metropolitan Area

Sources: Canada Mortgage and Housing, Statistics Canada

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Period	Chartered Bank Business Loans in British Columbia			
	Less than $200,000	$200,000 to $500,000	Greater than $500,000	Total
	($ millions)			
Annual Averages				
1993	1,480	1,003	8,897	11,380
1994	1,779	1,222	8,551	11,551
1995	1,791	1,451	9,043	12,284
1996	1,861	1,508	9,162	12,530
1997	1,985	1,724	10,081	13,790
1998	2,172	1,825	11,077	15,074
1999	2,084	1,710	10,807	14,601
2000	2,045	1,605	10,575	14,224
2001	1,896	1,516	9,746	13,158
2002	1,710	1,393	9,373	12,475
2003	1,558	1,297	9,491	12,347
% change 2002-2003	-8.8%	-6.8%	1.3%	-1.0%
Quarterly				
1997 Q1	1,686	1,534	9,853	13,073
Q2	2,068	1,751	9,751	13,570
Q3	2,088	1,770	10,337	14,195
Q4	2,098	1,841	10,384	14,323
1998 Q1	2,180	1,842	11,115	15,137
Q2	2,174	1,842	11,338	15,354
Q3	2,178	1,816	11,104	15,098
Q4	2,157	1,801	10,750	14,708
1999 Q1	2,128	1,792	10,908	14,828
Q2	2,108	1,735	10,975	14,818
Q3	2,080	1,686	10,876	14,642
Q4	2,020	1,627	10,467	14,114
2000 Q1	2,035	1,631	10,636	14,302
Q2	2,063	1,638	10,812	14,513
Q3	2,059	1,586	10,608	14,253
Q4	2,021	1,564	10,244	13,829
2001 Q1	1,942	1,561	10,171	13,674
Q2	1,890	1,539	9,552	12,981
Q3	1,873	1,502	9,599	12,974
Q4	1,879	1,461	9,662	13,002
2002 Q1	1,842	1,484	9,912	13,238
Q2	1,742	1,439	9,897	13,078
Q3	1,702	1,400	9,344	12,446
Q4	1,552	1,247	8,337	11,136
2003 Q1	1,599	1,312	9,159	12,070
Q2	1,626	1,327	9,795	12,748
Q3	1,445	1,292	9,700	12,437
Q4	1,563	1,258	9,311	12,132
2004 Q1	1,555	1,337	9,560	12,452
Q2	1,545	1,350	9,928	12,823
% change year-over-year last available quarter	-5.0%	1.7%	1.4%	0.6%

Period	Manufacturers' Outlook for Business Conditions Companies With Annual Shipments Less Than $10 Million Balance of Opinion at the Beginning of Quarter* (net of positive & negative percentages) Inventory Levels High or Low	Orders Rising or Falling	Anticipated Production This Quarter	Percent of Manufacturers Experiencing Production Difficulties From: Working Capital Shortage	Skilled Labour Shortage	Unskilled Labour Shortage
	(index)			(%)		
Annual Averages						
1996	4	-3	2	9	17	1
1997	4	6	4	10	15	2
1998	8	-13	-7	10	14	1
1999	6	-5	5	9	16	2
2000	8	-1	6	11	20	2
2001	9	-19	-9	9	18	3
2002	1	-6	-1	9	17	3
2003	6	6	10	12	20	3
Quarterly						
1998 Q1	7	2	-8	9	13	0
Q2	7	-9	20	10	12	0
Q3	7	-19	-10	11	16	0
Q4	9	-26	-28	8	15	2
1999 Q1	4	-30	-18	7	10	2
Q2	10	0	23	9	15	0
Q3	6	7	20	9	15	2
Q4	5	3	-4	11	22	2
2000 Q1	4	-6	-8	9	18	1
Q2	10	13	26	11	21	2
Q3	8	-5	10	13	18	2
Q4	8	-7	-4	9	24	4
2001 Q1	6	-19	-10	10	18	2
Q2	13	-11	19	9	21	3
Q3	10	-23	-6	8	16	3
Q4	8	-24	-38	9	17	3
2002 Q1	3	-26	-16	8	16	4
Q2	2	8	27	10	15	2
Q3	-1	4	3	7	18	4
Q4	1	-9	-17	11	18	3
2003 Q1	6	6	2	15	21	3
Q2	6	4	21	12	17	1
Q3	8	2	10	11	20	2
Q4	5	10	7	10	22	4
2004 Q1	7	6	-3	14	17	4
Q2	4	18	31	13	19	4
Q3	2	22	25	7	20	7

* **Note:** For Inventory Levels, a positive balance indicates too much inventory, and is thus unfavourable.
For New Orders and Production, a positive balance of opinion is favourable.

Note: These data are gathered from the *Business Conditions Survey*, which is conducted quarterly in January, April, July and October. Most responses are recorded in the first two weeks of these months. Manufacturers with more employees have a correspondingly larger impact on the results.

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Manufacturers' Outlook for Business Conditions
Companies With Annual Shipments of $10 Million or More

Period	Balance of Opinion at the Beginning of Quarter* (net of positive & negative percentages)			Percent of Manufacturers Experiencing Production Difficulties From:		
	Inventory Levels High or Low	Orders Rising or Falling	Anticipated Production This Quarter	Working Capital Shortage	Skilled Labour Shortage	Unskilled Labour Shortage
	(index)			(%)		
Annual Averages						
1996	40	-8	-7	7	3	0
1997	29	12	12	4	3	1
1998	32	-16	-1	7	3	0
1999	19	6	10	7	4	0
2000	10	10	11	5	5	1
2001	24	-31	-5	6	5	0
2002	15	1	5	7	5	1
2003	16	-2	8	10	8	1
Quarterly						
1998 Q1	42	-25	-19	7	3	0
Q2	33	5	4	7	4	0
Q3	21	-20	12	9	2	0
Q4	31	-25	-1	5	2	1
1999 Q1	28	-21	5	4	3	0
Q2	30	3	6	10	1	0
Q3	11	23	22	6	4	0
Q4	5	20	6	6	6	0
2000 Q1	7	19	12	5	9	2
Q2	19	14	11	6	7	1
Q3	16	7	14	2	2	0
Q4	-4	1	6	5	3	0
2001 Q1	19	-24	-7	4	3	0
Q2	27	-40	4	2	8	0
Q3	37	-33	-9	8	3	1
Q4	14	-26	-7	9	7	0
2002 Q1	15	-5	-2	10	4	1
Q2	13	2	15	2	5	0
Q3	13	11	6	6	5	0
Q4	19	-4	-1	9	6	1
2003 Q1	16	-1	-10	11	12	0
Q2	13	1	17	10	7	0
Q3	21	-8	19	12	7	1
Q4	12	2	5	7	6	1
2004 Q1	5	11	-1	7	6	1
Q2	-3	25	25	6	7	1
Q3	13	20	10	4	8	2

* **Note:** For Inventory Levels, a positive balance indicates too much inventory, and is thus unfavourable. For New Orders and Production, a positive balance of opinion is favourable.

Note: These data are gathered from the *Business Conditions Survey*, which is conducted quarterly in January, April, July and October. Most responses are recorded in the first two weeks of these months. Manufacturers with more employees have a correspondingly larger impact on the results.

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BRITISH COLUMBIA

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Ministry of
Management Services

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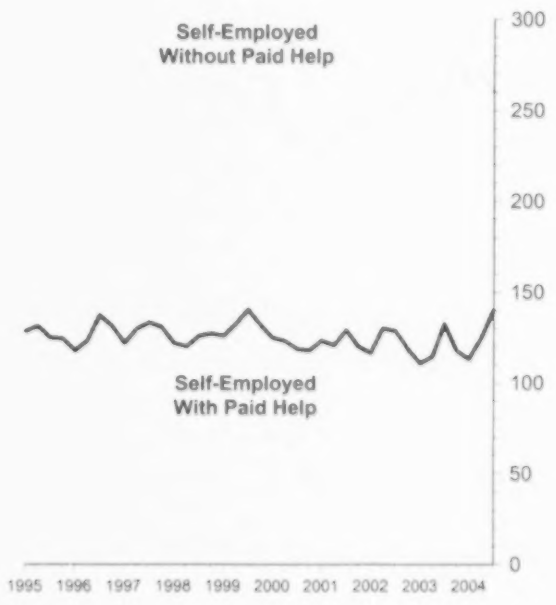
Issue: 04-3

Small Business Quarterly ◆ 3rd Quarter 2004

- The number of self-employed in BC rose to its highest level in six years, growing 2.0% in the third quarter compared to the same quarter in 2003, to just over 400 thousand. Self-employed with paid help expanded 5.5%, while self-employed without paid help edged up 0.6%. This marked the fourteenth consecutive quarterly increase in self-employed without paid help.
- The number of small businesses in BC (excluding self-employed persons) edged up 0.7% in the second quarter compared to the same period in 2003.
- Year-over-year growth in small business employment was 2.7% in the second quarter, well above the 1.5% change in overall employment. Most of the increase was in businesses with 1 to 19 employees, where employment jumped 3.8%.
- There was a continuation in the strong growth in the number of new business incorporations in BC. In the third quarter, there were 7.3% more new incorporations compared to the same period in 2003.
- Both business and consumer bankruptcies experienced a year-over-year decline in the third quarter, the eighth consecutive quarter this has occurred. Business bankruptcies fell 13.1% and consumer bankruptcies dropped 16.0%.
- Urban housing starts in British Columbia continued to climb in the third quarter, rising 11.1% over the number recorded in the third quarter of 2003. Vancouver saw a 5.7% jump in housing starts. The demand for new housing is being driven, at least in part, by low interest rates. The Prime Rate averaged 3.83% in the third quarter, although it has since climbed to 4.25%. Meanwhile, conventional five-year mortgage rates edged up slightly in the third quarter, but at an average of 6.38% over the quarter, were still relatively low.
- Total chartered bank business loans edged up 1.0% in the third quarter compared to the same period a year earlier. Loans under $200,000, which are the most likely to be taken out by small businesses, experienced surprising growth of 15.3%, after recording declines in every quarter since the beginning of 1999 except for two—and in those quarters, growth was less than one per cent.

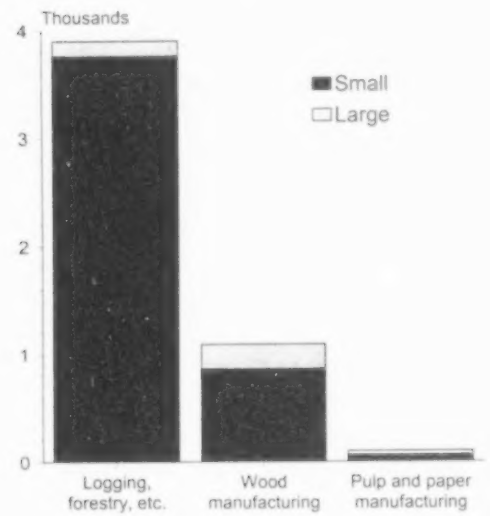
The number of self-employed without paid help in BC has been increasing since early in 2001



Lumber Dispute Big Issue for Small Business

Small businesses play a large role in BC's forest sector. By far the majority of forest sector firms operating in BC are establishments with fewer than 50 employees, which is the definition of a small business.[1] Logging and forestry operations (i.e., silviculture and support activities for forestry) in particular are dominated by smaller companies, but wood manufacturing facilities are more often small businesses as well.

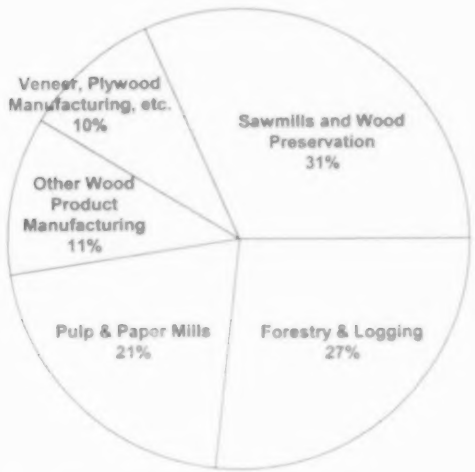
The forest sector is dominated by small firms, particularly in logging and forest services



Although there are more small businesses in number in the forest sector, the larger facilities employ the majority of the workers, at least in the manufacturing operations. In logging, forestry and support enterprises, where small businesses comprise 96% of all firms, only 57% of the employees work in those businesses. Although there are no details readily available by size of business for forestry-specific manufacturing, the percentage of all manufacturing employees working in small businesses is only 32%, despite the fact that small businesses make up 89% of all manufacturing establishments in the province. Enterprises producing wood, pulp and paper products comprise about 14% of all BC manufacturing firms, but employ 28% of manufacturing workers. This indicates that the majority of manufacturing employees in the forest sector in BC work for larger firms.

Of these forest sector workers, more than half (52%) are involved in making wood products. Forestry and logging operations employ 27% and pulp and paper mills employ 21% of forest sector workers.

The majority of employment in the forest sector is in wood manufacturing


Veneer, Plywood Manufacturing, etc. 10%
Sawmills and Wood Preservation 31%
Other Wood Product Manufacturing 11%
Pulp & Paper Mills 21%
Forestry & Logging 27%

Note: Employment is for both small and large businesses

With so many small businesses in BC involved in logging and wood manufacturing activities, the current dispute with the United States over softwood lumber is a major issue of concern for the small business sector in this province. In a poll of its members in June 2003, the Canadian Federation of Inde-

[1] Business counts and employment numbers expressed in this report exclude self-employed individuals.

pendent Business found that 33% of BC's small businesses felt their business was significantly harmed by the lumber dispute and a further 37% were slightly harmed.[2]

The dispute stems from allegations on the part of American lumber manufacturers that Canadian wood production is subsidized. As a result of the complaint from the American lumber lobby, the US Department of Commerce investigated and came to the decision that there was a subsidy amounting to 18.79%. In addition, they felt that Canadian companies were dumping their product in the US at less than the cost of production and slapped lumber imports from Canada with an additional 8.43% anti-dumping duty. The combined duty of 27.22% has had a significant impact on BC's lumber business.

In an effort to remain profitable despite the imposition of the punishing duties, larger firms attempted to rationalize their operations by shutting down inefficient mills and ramping up production at other mills to gain efficiencies and benefit from economies of scale. While this was a successful strategy for some of the larger lumber companies in the province, it was not an option available to many small business operations with only one small mill and a limited amount of wood supply. Many of these smaller operations simply could not operate with a duty of that magnitude and were forced to shut their doors.

Canada has claimed from the beginning of the dispute that the allegations of subsidization and dumping are false and has brought the issue before several panels in both the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA). While the results of these appeals have been somewhat mixed, on the whole the decisions have supported Canada's position and rejected the contention that Canada's softwood lumber exports are harming the US industry.

Both the WTO and NAFTA have found that the US Department of Commerce has made errors in calculating both the countervailing and anti-dumping duties. More importantly, both tribunals also found that imports of Canadian lumber were not harming the American industry. This is a crucial decision for Canadian lumber producers, because under US and international law, if there is no injury to domestic industry, duties cannot be imposed. This means that the issues of whether or not Canadian lumber is subsidized or dumped are moot.

The United States has appealed each decision by both the WTO and NAFTA, but in each case, the findings were the same: Imports of Canadian lumber have not caused injury to the American industry. In the second remand of the injury question, the NAFTA panel used some harsh language to describe the actions of the US International Trade Commission (ITC—the body responsible for determining whether or not an American industry is injured by imports and therefore, that those imports should be subject to duties determined by the Department of Commerce), suggesting that to allow the process to continue with yet another remand would cause the process to "become a mockery and an exercise in futility." The panel directed the ITC to find that Canadian lumber does not injure the US industry. The ITC reluctantly abided by the rul-

[2] Mallett, Ted. Quarterly Business Barometer, 2003 No. 2, Canadian Federation of Independent Business (June 2003).

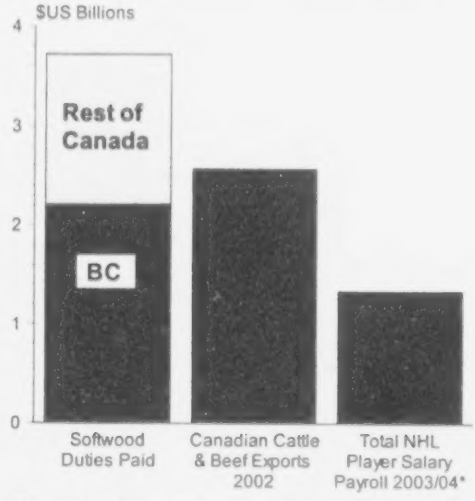
ing, but reversed itself less than three months later in responding to a WTO finding, once again claiming that Canadian lumber poses a threat to American producers. The reversal coincided with the application for an extraordinary challenge of the NAFTA panel's decision. This challenge is the last avenue of appeal in the NAFTA process. If the United States loses this appeal, the process should end. The duties should be removed from Canadian lumber and the monies collected so far should be returned.

However, the US government has hinted that it has no intention of returning the duties, suggesting that it has no obligation to do so. West Fraser Timber Company is already in a battle to have a portion of its duties returned after the US Department of Commerce revised the company's anti-dumping duty to zero, but refused to refund duties already paid. This does not augur well for the return of the approximately $US 3.7 billion in duties paid so far.[3]

To put that figure into perspective, in 2002, prior to the discovery of a cow infected with BSE that prompted the closure of the US border to Canadian cattle and beef, the value of total Canadian exports of cattle and beef products amounted to just under $US 2.6 billion. The softwood lumber duties deposited with US Customs are almost triple the total National Hockey League player salary payroll for the 2003/04 season.[4]

About $2.2 billion of the duties collected so far have come from BC, which alone could cover the entire player payroll of the NHL and then some.

Softwood duties put in perspective



*Source for NHL payroll: USA Today (excludes incentives and salaries of players appearing in fewer than 30 games)

With this much money at stake, it is understandable that Canadian lumber companies are seeing red when they hear hints that the money won't be returned even if the duties are found to be illegal. The recent introduction of a bill by Montana Senator Max Baucus to distribute the funds to US companies using legislation that has already been deemed illegal by the WTO (commonly known as the Byrd Amendment) has sparked even more outrage. BC's Minister of Forests, Mike de Jong, suggested that the bill could start a trade war if it is passed, stating, "You can't steal $4 bil-

[3] This is an estimate to the end of December based on value of exports shipped to the US. It uses the average dumping duty of 8.43% to determine the dumping portion, although some individual firms may have higher or lower duties.

[4] The figure used for NHL player payroll excludes incentives and salaries of players playing in fewer than 30 games, so technically it is an understatement of the true player payroll; however, it is highly doubtful that including these costs would come anywhere close to doubling the $US 1.3 billion amount, let alone tripling it.

lion from a country and not expect that there would be repercussions."[5]

The Canadian government has already prepared a list of commodities subject to possible retaliation if the Byrd Amendment is not repealed. The WTO has authorized Canada and seven other WTO members (Brazil, Chile, the European Union, India, Japan, Mexico and South Korea) to retaliate up to 72% of the annual level of duties collected and paid out to US companies. For Canada, this amount is relatively small (approximately $17 million worth of duties have been disbursed to American producers between 2001 and 2003) [6]; however, if the softwood lumber duties are distributed, that value will soar. While it is unlikely that Baucus' bill will ever be passed and odds are that the Byrd amendment will go the way of the Dodo, it is quite possible that Canada will have to go to the courts once again to get the lumber duties returned.

It was thought that after an administrative review of the duties, the US Department of Commerce would halve the 27.2% duty rate on shipments to the US. However, in a move that has further infuriated the Canadian industry, they made a much smaller revision. In a preliminary decision back in June, the Commerce Department proposed reducing the combined duties to 13.2%, but the final duty, as announced on December 14, has come in at 21.21%. Although anti-dumping duties were cut in half to 4.03%, the countervailing portion was revised to 17.18%, down only slightly from 18.79%.

In order to come up with the higher countervailing duty, the US Department of Commerce applied a different method to calculate duties for BC using a cross-border pricing model that both NAFTA and the WTO have already ruled is illegal.[7]

The application of yet another methodology to arrive at a number not significantly lower than the existing duty had Minister de Jong suggesting, "It increasingly looks as if they come up with a number and then employ a methodology to try and get to that number."[8] John Allan, the president of the BC Lumber Trade Council, echoed the forest minister's frustration, stating, "The whole Commerce methodology and process is a bankrupt one. It is designed, as I've said in the past, to grind you into dust. I'm mad as hell."[9]

While it is thought that this move is meant to push the Canadian side back to the negotiating table, those in the Canadian industry, including Allan, have suggested that the opposite is more likely to occur. "I think cutting a deal is just the wrong thing to do right now, given these rates, in the sense that the Americans have basically stuck it to us,"

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[5] As quoted in "Softwood dispute could prompt trade war: B.C. minister," CBC News Online (www.cbc.ca), Nov. 15, 2004.

[6] "Notice seeking comments on possible trade retaliation against the United States in Response to that country's failure to repeal the *Continued Dumping and Subsidy Offset Act*," Canada Gazette Part I, Extra Vol. 138, No. 19, Nov. 23, 2004, p. 2.

[7] The BC-specific countervailing rate is 22.69%; however, this does not mean that BC companies will pay higher duties. Rather, the BC rate is used to calculate the average Canadian rate (17.18%), which is then applied to all Canadian lumber exports to the US.

[8] As quoted in: Luke, Paul, "U.S. delivers softwood shock," *The Province*, Dec. 15, 2004, p. A35.

[9] Ibid.

he said.[10] Talk like that suggests that the Canadian contingent is more resolved than ever to proceed via the litigation route, rather than seeking a negotiated settlement.

Whatever happens, this long-running dispute has already had a dramatic impact on the structure of BC's forest sector and when the sawdust finally settles it is likely that small businesses will play a different role in forest-based industries compared to the period before this round of the dispute began. They will probably be less involved in sawmilling operations and more oriented toward niche markets and specialized products.

[10] As quoted in: Morton, Peter and Greenwood, John, "U.S. lumber move 'shocking,'" *Victoria Times-Colonist*, Dec. 15, 2004, p. D1.

Recent Feature Articles Listed by Issue Number

04-3: *'Lumber Dispute Big Issue for Small Business'* (released Dec 2004)

04-2: *'Small Business and Older Workers'* (released Oct 2004)

04-1: *'Small Business Suffers Gas Pains'* (released Jun 2004)

03-4: *'Small Business is Embracing the Internet'* (released Mar 2004)

03-3: *'Cost of Insurance is the Top Concern for Small Business in BC'* (released Dec 2003)

03-2: *'Chartered Bank Business Loans Continue to Decline'* (released Sep 2003)

03-1: *'Moonlighting in British Columbia'* (released Jun 2003)

02-4: *'Stay-at-Home Workers'* (released Mar 2003)

02-3: *'Profile of Women Entrepreneurs'* (released Jan 2003)

02-2: *'A Comparison of Small Business Size, 1993 and 2001'* (released Sep 2002)

02-1: *'Will Retiring Boomers Lead to Labour Bust?'* (released Jun 2002)

01-4: *'Expectations of Manufacturers Showing Signs of Improvement'* (released Mar 2002)

01-3: *'Business and Consumer Bankruptcies are on the Rise in BC'* (released Jan 2002)

01-2: *'The Benefits and Costs of a Higher Minimum Wage'* (released Nov 2001)

01-1: *'Small Business On-Line: Internet Use Among SMEs'* (released Sep 2001)

00-4: *'Co-operatives Grew Steadily Throughout the 1990s'* (released May 2001)

00-3: *'Profile of Self-Employed in British Columbia'* (released Mar 2001)

00-2: *'Latest Small Business Employment Numbers Show Three Year Changes'* (released Jan 2001)

00-1: *'Some Distinctive Features of The Small Business Workplace'* (released Oct 2000)

99-4: *'Transfers of Corporate Charters to Other Provinces Suggest Business Migration From British Columbia'* (released Jul 2000)

99-3: *'755 Thousand British Columbians Rely On Small Businesses For Jobs'* (released Mar 2000)

99-2: *'A Quarter of All Employees In British Columbia Work For Small Employers'* (released Nov 1999)

99-1: *'Self-Employment In* British Columbia Takes On New Profile' (released Sep 1999)

98-4: *'Co-Operative Movement Grows Through the 1990s'* (released Apr 1999)

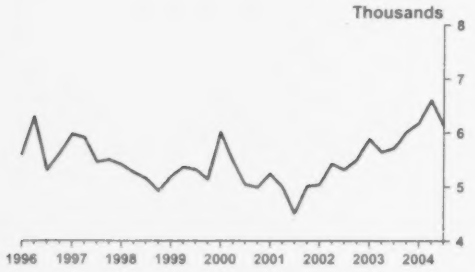
98-3: *'The Long and the Short of Working Hours For Self-Employed'* (released Dec1998)

98-2: *'People Trying Self-Employment As A Second Job'* (released Aug 1998)

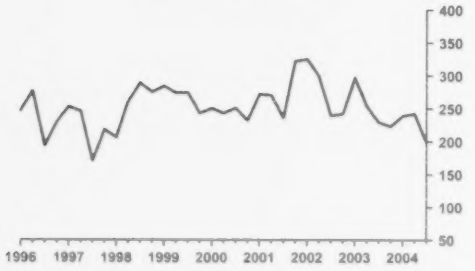
98-1: *'British Columbians Still Making Their Own Jobs'* (released May 1998)

Business Counts, Formations and Failures

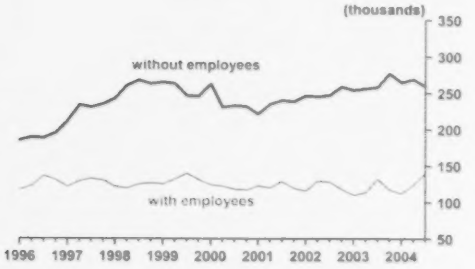
New Business Incorporations in British Columbia



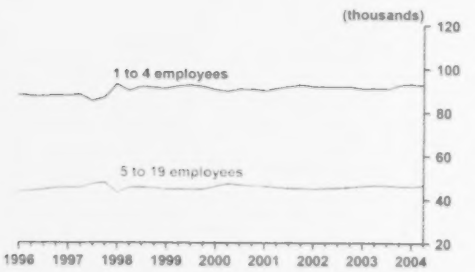
Number of Business Bankruptcies in British Columbia



Self-Employed Persons



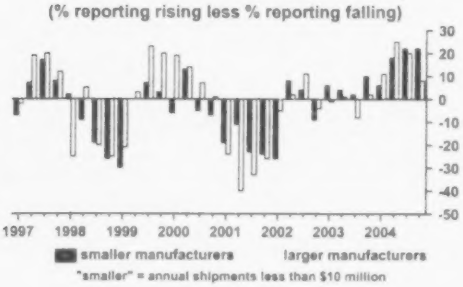
Small Businesses With Employees



Business Conditions

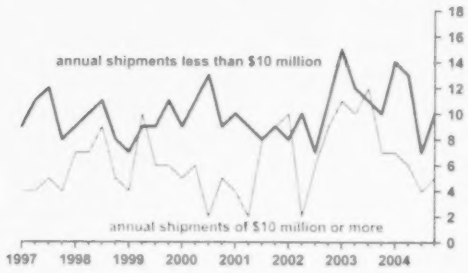
Balance of Opinion on New Orders Received at Start of Quarter

(% reporting rising less % reporting falling)

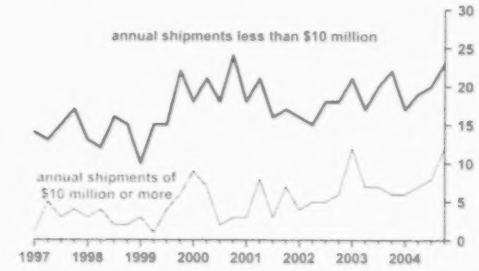


"smaller" = annual shipments less than $10 million

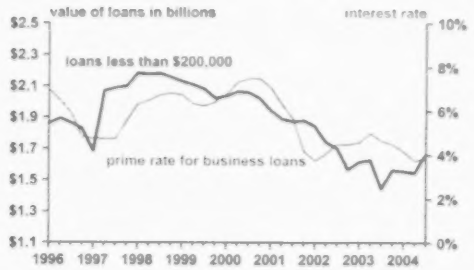
Per Cent of Manufacturers Experiencing Shortage of Working Capital



Per Cent of Manufacturers Experiencing Shortage of Skilled Labour



Chartered Bank Business Loans in British Columbia



Small Business Quarterly

Table 1

Period	Active Employer Businesses [1] by number of employees						Employment [2] by number of employees in business				Self-employed [3]		
	Total	1-4	5-9	10-19	20-49	1-49	Total [4]	1-19	20-49	50+	Total [5]	with paid help	without paid help
	('000)						('000)				('000)		
Annual Averages													
1996	148.2	87.9	26.5	18.1	10.8	143.2					321.3	127.3	189.3
1997	150.9	87.2	27.5	19.2	11.7	145.5					361.4	129.0	225.9
1998	153.7	91.6	26.9	18.2	11.5	148.2					388.6	123.6	258.3
1999	154.6	92.0	26.8	18.2	11.9	148.9					392.6	132.5	254.9
2000	156.6	90.5	27.5	19.3	13.0	150.3	1,565.3	411.5	181.9	971.9	366.1	121.0	239.2
2001	156.9	91.5	27.2	18.5	12.4	149.7	1,585.7	412.3	186.3	987.1	360.4	123.1	233.3
2002	156.8	91.8	27.2	18.3	12.4	149.6	1,601.4	412.3	193.9	995.1	375.2	123.2	249.1
2003	157.6	91.4	27.8	18.7	12.5	150.4	1,626.2	417.1	200.2	1,008.8	383.7	118.7	261.1
% change 2002-2003	0.5%	-0.4%	2.5%	2.2%	0.9%	-0.1%	1.0%	0.0%	4.1%	0.8%	2.3%	-3.7%	4.8%
Quarterly	*End of Quarter*						*Quarterly*				*Quarterly Averages*		
2001 Q1	156.6	90.1	27.4	19.0	12.8	149.3	1,564.5	404.1	179.1	981.3	346.9	123.1	221.1
Q2	156.6	91.1	27.3	18.5	12.4	149.4	1,598.8	413.3	188.2	997.2	359.2	120.5	234.4
Q3	156.9	92.0	27.1	18.4	12.3	149.7	1,593.8	419.9	193.7	980.2	372.4	128.9	239.8
Q4	157.4	92.7	27.1	18.3	12.2	150.3	1,585.9	411.8	184.4	989.7	363.2	119.7	238.0
2002 Q1	156.2	91.9	27.0	18.2	12.1	149.1	1,562.7	401.5	181.8	979.4	366.1	116.3	246.2
Q2	156.5	91.7	27.0	18.2	12.3	149.3	1,606.2	412.8	197.4	996.0	376.0	129.7	245.0
Q3	157.0	91.7	27.3	18.3	12.5	149.7	1,615.5	420.0	200.5	995.0	378.7	128.4	246.7
Q4	157.6	91.8	27.3	18.5	12.6	150.3	1,621.1	415.1	195.9	1,010.1	380.0	118.6	258.3
2003 Q1	157.2	90.9	27.8	18.6	12.6	149.8	1,602.1	405.7	191.2	1,005.3	368.3	110.6	253.8
Q2	157.4	91.0	27.9	18.7	12.6	150.2	1,644.3	418.8	203.1	1,022.5	375.0	114.2	256.1
Q3	157.5	91.1	27.9	18.8	12.5	150.3	1,627.1	425.0	205.3	996.8	392.6	132.3	257.7
Q4	158.4	92.8	27.7	18.6	12.3	151.3	1,631.3	419.1	201.4	1,010.8	398.8	117.7	276.6
2004 Q1	158.7	93.0	27.5	18.7	12.3	151.6	1,613.0	415.3	196.9	1,000.7	380.3	113.0	264.5
Q2	158.5	92.5	27.7	18.8	12.3	151.3	1,669.4	434.8	203.7	1,030.9	395.1	124.5	268.9
Q3	-	-	-	-	-	-	-	-	-	-	400.3	139.6	259.4
year last available quarter	0.7%	1.7%	-0.7%	0.4%	-2.2%	0.7%	1.5%	3.8%	0.3%	0.8%	2.0%	5.5%	0.6%
Monthly													
Dec-03											398.0	117.0	276.1
Jan-04											388.9	112.3	273.3
Feb-04											374.4	118.1	254.3
Mar-04											377.5	108.7	265.8
Apr-04											380.7	120.9	259.1
May-04											396.0	125.1	268.9
Jun-04											408.6	127.5	278.7
Jul-04											407.6	145.3	261.0
Aug-04											402.9	135.4	266.5
Sep-04											390.4	138.0	250.6
Oct-04											398.5	133.2	263.7
Nov-04											399.5	139.3	258.0
year last available month											0.1%	17.7%	-6.1%
year-to-date	-	-	-	-	-	-	-	-	-	-	393.2	127.6	263.6

Notes:

[1] Source: Business Register

[2] Source: Survey of Employment, Payroll and Hours

[3] Source: Labour Force Survey

[4] Industrial aggregate excluding unclassified

[5] Total self-employed includes persons working in family business without pay

Source: Statistics Canada.

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BC Stats (250) 387-0376

Period	Business Formation Indicators: New BC Business Incorporations	Business Formation Indicators: Registrations Extraprovincial Companies	Business Formation Indicators: Registrations Unincorporated Businesses	Bankruptcies: Business	Bankruptcies: Consumer
		(number)		(number)	
Annual Totals					
1995	23,846	1,966	19,279	973	4,747
1996	22,848	2,061	20,367	948	6,436
1997	22,958	2,188	19,863	895	7,366
1998	20,759	2,233	19,507	1,031	7,327
1999	21,009	2,366	20,917	1,075	8,179
2000	21,515	2,528	20,822	976	9,181
2001	19,749	2,479	21,306	1,100	9,474
2002	21,262	2,383	22,487	1,105	9,527
2003	23,243	2,544	25,121	1,002	9,393
% change 2002-2003	9.3%	6.8%	11.7%	-9.3%	-1.4%
Quarterly Totals					
2000 Q1	6,011	651	5,626	250	2,354
Q2	5,471	680	5,590	243	2,350
Q3	5,044	578	5,026	251	2,216
Q4	4,989	619	4,580	232	2,261
2001 Q1	5,236	714	5,400	272	2,503
Q2	4,997	663	5,853	270	2,483
Q3	4,504	546	4,959	236	2,232
Q4	5,012	556	5,094	322	2,256
2002 Q1	5,035	604	5,335	325	2,469
Q2	5,417	616	6,220	299	2,472
Q3	5,313	559	5,772	239	2,388
Q4	5,497	604	5,160	242	2,198
2003 Q1	5,878	694	6,878	297	2,467
Q2	5,638	674	6,642	253	2,463
Q3	5,711	547	5,852	229	2,272
Q4	6,016	629	5,749	223	2,191
2004 Q1	6,175	755	6,835	239	2,299
Q2	6,602	547	6,749	242	2,254
Q3	6,128	618	5,885	199	1,909
year last available quarter	7.3%	13.0%	0.6%	-13.1%	-16.0%
Monthly					
Dec-03	1,943	219	1,707	75	655
Jan-04	2,115	251	2,168	79	665
Feb-04	2,015	224	2,152	71	757
Mar-04	2,045	280	2,515	89	877
Apr-04	2,109	128	2,321	94	730
May-04	2,156	225	2,186	73	692
Jun-04	2,337	194	2,242	75	832
Jul-04	2,075	243	1,994	68	618
Aug-04	2,031	165	1,915	74	610
Sep-04	2,022	210	1,976	57	681
Oct-04	2,015	182	2,015	79	684
Nov-04	-	-	-	-	-
year-to-date	20,920	2,102	21,484	759	7,146
year last available month	-0.4%	-10.8%	-8.2%	5.3%	-17.3%

Sources: BC Ministry of Finance and Corporate Relations, Industry Canada.

Period	Interest Rates: Bank Rate	Interest Rates: Prime Rate	Interest Rates: Conventional 5 Year Mortgage	Exchange Rate: Canadian $ Average Noon Spot Rate	Consumer Price Index: BC	Consumer Price Index: Vancouver*	Consumer Price Index: Victoria*
	(per cent)			(U.S. ¢)	(1992=100)		
Annual Averages							
1997	3.52	4.96	7.07	72.24	109.7	109.8	109.7
1998	5.10	6.60	6.93	67.48	110.0	110.4	110.0
1999	4.92	6.44	7.56	67.32	111.2	111.4	111.1
2000	5.77	7.27	8.35	67.34	113.3	113.9	113.0
2001	4.31	5.81	7.40	64.58	115.2	116.0	114.3
2002	2.71	4.21	7.02	63.69	117.9	118.6	117.4
2003	3.19	4.69	6.39	71.58	120.4	121.0	120.0
% change 2002-2003	N/A	N/A	N/A	12.4%	2.2%	2.0%	2.2%
difference 2002-2003	0.48	0.48	-0.63	N/A	N/A	N/A	N/A
Quarterly Averages							
2001 Q1	5.58	7.08	7.58	65.47	113.5	114.4	112.5
Q2	4.83	6.33	7.67	64.89	115.6	116.3	114.8
Q3	4.17	5.67	7.50	64.69	116.4	117.2	115.4
Q4	2.67	4.17	6.87	63.28	115.2	116.0	114.6
2002 Q1	2.25	3.75	7.05	62.72	116.0	116.8	115.5
Q2	2.58	4.08	7.37	64.35	118.0	118.8	117.5
Q3	3.00	4.50	6.85	63.97	118.7	119.4	118.3
Q4	3.00	4.50	6.80	63.72	118.8	119.6	118.4
2003 Q1	3.08	4.58	6.63	66.26	119.7	120.4	119.3
Q2	3.50	5.00	6.20	71.58	120.3	120.9	119.8
Q3	3.17	4.67	6.28	72.46	120.9	121.4	120.5
Q4	3.00	4.50	6.45	76.00	120.8	121.4	120.5
2004 Q1	2.67	4.17	5.85	75.90	121.2	121.8	121.0
Q2	2.25	3.75	6.45	73.57	123.1	123.7	123.0
Q3	2.33	3.83	6.38	76.51	123.4	124.0	123.4
year last available quarter	N/A	N/A	N/A	5.6%	2.1%	2.1%	2.4%
year last available quarter	-0.83	-0.83	0.10	N/A	N/A	N/A	N/A
Monthly							
Dec-03	3.00	4.50	6.45	76.17	120.9	121.6	120.7
Jan-04	2.75	4.25	6.05	77.16	120.8	121.3	120.6
Feb-04	2.75	4.25	5.80	75.25	121.3	121.8	121.0
Mar-04	2.50	4.00	5.70	75.28	121.6	122.2	121.3
Apr-04	2.25	3.75	6.15	74.49	122.4	123.0	122.2
May-04	2.25	3.75	6.50	72.55	123.4	124.0	123.2
Jun-04	2.25	3.75	6.70	73.66	123.6	124.1	123.5
Jul-04	2.25	3.75	6.55	75.65	123.4	123.9	123.3
Aug-04	2.25	3.75	6.30	76.23	123.3	124.0	123.3
Sep-04	2.50	4.00	6.30	77.65	123.5	124.1	123.6
Oct-04	2.75	4.25	6.40	80.20	123.5	124.2	123.6
Nov-04	2.75	4.25	6.30	83.61	123.7	124.2	123.8
year last available month	N/A	N/A	N/A	9.7%	2.4%	2.3%	2.7%
year last available month	-0.25	-0.25	-0.20	N/A	N/A	N/A	N/A

* Census Metropolitan Area

Sources: Bank of Canada, Statistics Canada.

Period	Commercial Building Permits			Industrial Building Permits			Urban Housing Starts	
	BC	Vancouver*	Victoria*	BC	Vancouver*	Victoria*	BC	Vancouver*
	($ thousands)			($ thousands)			(number)	
Annual Totals								
1995	1,023,877	597,580	57,744	247,133	109,178	10,626	23,604	14,992
1996	1,225,837	675,541	88,661	252,646	151,875	5,499	24,744	15,453
1997	1,358,450	849,207	78,280	285,814	163,773	6,777	25,210	15,950
1998	1,311,124	810,117	76,173	273,279	160,652	15,858	17,631	11,878
1999	1,142,105	652,159	101,453	319,145	172,604	5,931	14,176	8,677
2000	1,297,270	868,865	76,834	295,525	147,574	14,763	12,353	8,203
2001	1,171,233	718,860	86,782	221,353	105,178	21,843	15,689	10,862
2002	1,116,741	746,220	104,278	230,119	129,291	9,167	20,315	13,197
2003	1,129,623	607,764	134,420	244,024	90,082	20,451	24,720	15,626
% change 2002-2003	1.2%	-18.6%	28.9%	6.0%	-30.3%	123.1%	21.7%	18.4%
Quarterly Totals								
2000 Q1	310,172	243,234	10,966	60,084	20,194	1,258	2,219	1,527
Q2	363,163	205,899	30,805	83,816	44,182	6,223	3,559	2,468
Q3	336,460	218,441	17,911	78,563	41,930	364	3,310	1,989
Q4	287,475	201,291	17,152	73,062	41,268	6,918	3,265	2,219
2001 Q1	273,963	162,249	23,467	65,245	30,677	9,657	2,946	2,149
Q2	406,173	271,274	26,720	56,965	21,011	2,133	4,619	3,620
Q3	280,778	159,138	15,570	57,121	29,033	7,512	4,176	2,802
Q4	210,319	126,199	21,025	42,022	24,457	2,541	3,948	2,291
2002 Q1	198,407	125,804	18,170	25,849	12,710	2,091	3,659	2,285
Q2	353,724	264,566	28,515	73,400	42,047	3,452	5,279	3,548
Q3	266,902	144,797	41,744	79,205	47,950	2,380	5,934	4,020
Q4	297,708	211,053	15,849	51,665	26,584	1,244	5,443	3,344
2003 Q1	200,086	107,691	27,775	40,679	22,785	1,003	4,206	2,588
Q2	313,669	156,577	29,849	65,985	16,043	1,500	6,097	3,740
Q3	355,162	159,179	54,930	75,441	28,652	12,986	7,678	5,116
Q4	260,706	184,317	21,866	61,919	22,602	4,962	6,739	4,152
2004 Q1	260,765	174,174	14,042	47,183	10,009	3,393	6,079	3,698
Q2	374,087	266,254	17,076	79,588	41,841	1,791	9,008	6,064
Q3	327,779	198,638	13,679	92,613	28,585	1,781	8,533	5,437
year last available quarter	-7.7%	24.8%	-75.1%	22.8%	-0.2%	-86.3%	11.1%	5.7%
Monthly								
Dec-03	80,362	65,565	3,030	11,040	3,975	201	1,805	1,031
Jan-04	107,775	84,062	2,858	6,975	1,989	309	2,284	1,619
Feb-04	68,432	42,402	7,501	24,863	5,372	2,595	1,773	1,054
Mar-04	84,558	47,710	3,683	15,345	2,648	489	2,022	1,025
Apr-04	96,063	67,202	6,207	13,719	7,680	528	3,499	2,479
May-04	94,716	70,163	4,876	17,654	8,643	846	2,856	1,856
Jun-04	183,308	128,889	5,993	48,215	25,518	417	2,653	1,729
Jul-04	78,362	47,377	4,224	27,028	14,890	435	2,478	1,467
Aug-04	132,449	81,294	4,491	37,724	6,525	500	3,264	2,288
Sep-04	116,968	69,967	4,964	27,861	7,170	846	2,791	1,682
Oct-04	82,871	54,474	3,128	14,432	4,030	641	2,161	1,151
Nov-04	-	-	-	-	-	-	2,866	1,703
year-to-date	1,045,502	693,540	47,925	233,816	84,465	7,606	28,647	18,053
year last available month	-4.2%	-22.5%	94.4%	-52.8%	-56.0%	-86.0%	35.1%	49.4%

* Census Metropolitan Area

Sources: Canada Mortgage and Housing, Statistics Canada.
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Period	Chartered Bank Business Loans in British Columbia			
	Less than $200,000	$200,000 to $500,000	Greater than $500,000	Total
	($ millions)			
Annual Averages				
1993	1,480	1,003	8,897	11,380
1994	1,779	1,222	8,551	11,551
1995	1,791	1,451	9,043	12,284
1996	1,861	1,508	9,162	12,530
1997	1,985	1,724	10,081	13,790
1998	2,172	1,825	11,077	15,074
1999	2,084	1,710	10,807	14,601
2000	2,045	1,605	10,575	14,224
2001	1,896	1,516	9,746	13,158
2002	1,710	1,393	9,373	12,475
2003	1,558	1,297	9,491	12,347
% change 2002-2003	-8.8%	-6.8%	1.3%	-1.0%
Quarterly				
1997 Q1	1,686	1,534	9,853	13,073
Q2	2,068	1,751	9,751	13,570
Q3	2,088	1,770	10,337	14,195
Q4	2,098	1,841	10,384	14,323
1998 Q1	2,180	1,842	11,115	15,137
Q2	2,174	1,842	11,338	15,354
Q3	2,178	1,816	11,104	15,098
Q4	2,157	1,801	10,750	14,708
1999 Q1	2,128	1,792	10,908	14,828
Q2	2,108	1,735	10,975	14,818
Q3	2,080	1,686	10,876	14,642
Q4	2,020	1,627	10,467	14,114
2000 Q1	2,035	1,631	10,636	14,302
Q2	2,063	1,638	10,812	14,513
Q3	2,059	1,586	10,608	14,253
Q4	2,021	1,564	10,244	13,829
2001 Q1	1,942	1,561	10,171	13,674
Q2	1,890	1,539	9,552	12,981
Q3	1,873	1,502	9,599	12,974
Q4	1,879	1,461	9,662	13,002
2002 Q1	1,842	1,484	9,912	13,238
Q2	1,742	1,439	9,897	13,078
Q3	1,702	1,400	9,344	12,446
Q4	1,552	1,247	8,337	11,136
2003 Q1	1,599	1,312	9,159	12,070
Q2	1,626	1,327	9,795	12,748
Q3	1,445	1,292	9,700	12,437
Q4	1,563	1,258	9,311	12,132
2004 Q1	1,555	1,337	9,560	12,452
Q2	1,545	1,350	9,928	12,823
Q3	1,666	1,348	9,549	12,563
year last available quarter	15.3%	4.3%	-1.6%	1.0%

Source: Bank of Canada.

Manufacturers' Outlook for Business Conditions
Companies With Annual Shipments Less Than $10 Million

Period	Balance of Opinion at the Beginning of Quarter* (net of positive & negative percentages)			Percent of Manufacturers Experiencing Production Difficulties From:		
	Inventory Levels High or Low	Orders Rising or Falling	Anticipated Production This Quarter	Working Capital Shortage	Skilled Labour Shortage	Unskilled Labour Shortage
		(index)			(%)	
Annual Averages						
1993	7	1	2	14	13	1
1994	9	16	15	10	17	1
1995	5	5	6	12	16	2
1996	4	-3	2	9	17	1
1997	4	6	4	10	15	2
1998	8	-13	-7	10	14	1
1999	6	-5	5	9	16	2
2000	8	-1	6	11	20	2
2001	9	-19	-9	9	18	3
2002	1	-6	-1	9	17	3
2003	6	6	10	12	20	3
2004	5	17	16	11	20	5
Quarterly						
1999 Q1	4	-30	-18	7	10	2
Q2	10	0	23	9	15	0
Q3	6	7	20	9	15	2
Q4	5	3	-4	11	22	2
2000 Q1	4	-6	-8	9	18	1
Q2	10	13	26	11	21	2
Q3	8	-5	10	13	18	2
Q4	8	-7	-4	9	24	4
2001 Q1	6	-19	-10	10	18	2
Q2	13	-11	19	9	21	3
Q3	10	-23	-6	8	16	3
Q4	8	-24	-38	9	17	3
2002 Q1	3	-26	-16	8	16	4
Q2	2	8	27	10	15	2
Q3	-1	4	3	7	18	4
Q4	1	-9	-17	11	18	3
2003 Q1	6	6	2	15	21	3
Q2	6	4	21	12	17	1
Q3	8	2	10	11	20	2
Q4	5	10	7	10	22	4
2004 Q1	7	6	-3	14	17	4
Q2	4	18	31	13	19	4
Q3	2	22	25	7	20	7
Q4	7	22	12	10	23	6

* **Note:** For Inventory Levels, a positive balance indicates too much inventory, and is thus unfavourable. For New Orders and Production, a positive balance of opinion is favourable.

Note: These data are gathered from the *Business Conditions Survey*, which is conducted quarterly in January, April, July and October. Most responses are recorded in the first two weeks of these months. Manufacturers with more employees have a correspondingly larger impact on the results.

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Manufacturers' Outlook for Business Conditions
Companies With Annual Shipments of $10 Million or More

Period	Balance of Opinion at the Beginning of Quarter* (net of positive & negative percentages)			Percent of Manufacturers Experiencing Production Difficulties From:		
	Inventory Levels High or Low	Orders Rising or Falling	Anticipated Production This Quarter	Working Capital Shortage	Skilled Labour Shortage	Unskilled Labour Shortage
	(index)			(%)		
Annual Averages						
1993	30	4	3	12	3	0
1994	9	22	10	10	7	0
1995	2	18	8	5	4	0
1996	40	-8	-7	7	3	0
1997	29	12	12	4	3	1
1998	32	-16	-1	7	3	0
1999	19	6	10	7	4	0
2000	10	10	11	5	5	1
2001	24	-31	-5	6	5	0
2002	15	1	5	7	5	1
2003	16	-2	8	10	8	1
2004	6	16	12	6	8	2
Quarterly						
1999 Q1	28	-21	5	4	3	0
Q2	30	3	6	10	1	0
Q3	11	23	22	6	4	0
Q4	5	20	6	6	6	0
2000 Q1	7	19	12	5	9	2
Q2	19	14	11	6	7	1
Q3	16	7	14	2	2	0
Q4	-4	1	6	5	3	0
2001 Q1	19	-24	-7	4	3	0
Q2	27	-40	4	2	8	0
Q3	37	-33	-9	8	3	1
Q4	14	-26	-7	9	7	0
2002 Q1	15	-5	-2	10	4	1
Q2	13	2	15	2	5	0
Q3	13	11	6	6	5	0
Q4	19	-4	-1	9	6	1
2003 Q1	16	-1	-10	11	12	0
Q2	13	1	17	10	7	0
Q3	21	-8	19	12	7	1
Q4	12	2	5	7	6	1
2004 Q1	5	11	-1	7	6	1
Q2	-3	25	25	6	7	1
Q3	13	20	10	4	8	2
Q4	7	8	12	5	12	2

* **Note:** For Inventory Levels, a positive balance indicates too much inventory, and is thus unfavourable. For New Orders and Production, a positive balance of opinion is favourable.

Note: These data are gathered from the *Business Conditions Survey*, which is conducted quarterly in January, April, July and October. Most responses are recorded in the first two weeks of these months. Manufacturers with more employees have a correspondingly larger impact on the results.

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BRITISH COLUMBIA

BC STATS

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Management Services

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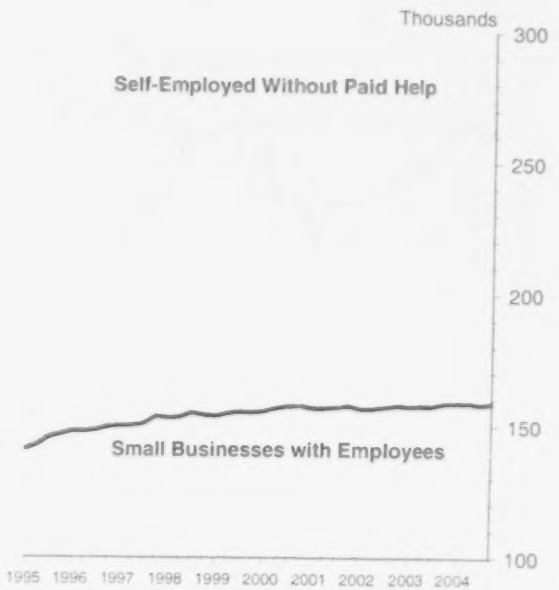
March 2005
Issue: 04-4

Small Business Quarterly ◆ 4th Quarter 2004

- There was a slight drop (-0.2%) in the number of small businesses in BC (excluding self-employed persons) in the fourth quarter of 2004 compared to the same period a year earlier. However, the decline was not enough to offset growth earlier in the year, as the small business count edged up 0.5% in 2004.
- The number of self-employed in BC also increased in 2004, rising 4.7%. Most of the growth was for those with paid help, which climbed 9.5%, while those without paid help increased 3.3%. In the fourth quarter, there was a 2.3% jump in total self-employed compared to the same quarter in 2003. For the first time in three years, the number of self-employed without paid help fell, dropping 1.9% in the fourth quarter.
- Year-over-year growth in small business employment was 2.3% in the *third* quarter, only slightly higher than the 2.2% change in overall employment. Businesses with 1 to 19 employees recorded the strongest increase in employment, at 3.0%.
- The number of new business incorporations in BC surged 9.4% in 2004. The 8.4% jump in the fourth quarter marked the 11th consecutive quarter in which there has been an increase in new incorporations.
- Both business and consumer bankruptcies fell sharply in 2004. Business bankruptcies dropped 8.1% over the year, despite an identical movement in the other direction (i.e., an 8.1% rise) in the fourth quarter. A 12.2% dip in consumer bankruptcies in the fourth quarter contributed to a double-digit decline of 10.7% over the entire year.
- Mortgage rates remained low throughout 2004, as is reflected in housing starts in BC, which soared 24.9% to their highest level in a decade.
- Both commercial (+8.7%) and industrial (+34.4%) building permits increased significantly in 2004. A significant portion of the jump in industrial permits occurred in the fourth quarter as there was a 75.3% rise in permits issued compared to the same quarter in 2003. A 165.4% boost in permits issued in Vancouver was responsible for the growth.
- Chartered bank business loans under $200,000 increased in 2004 (+2.5%), after six years of declines.

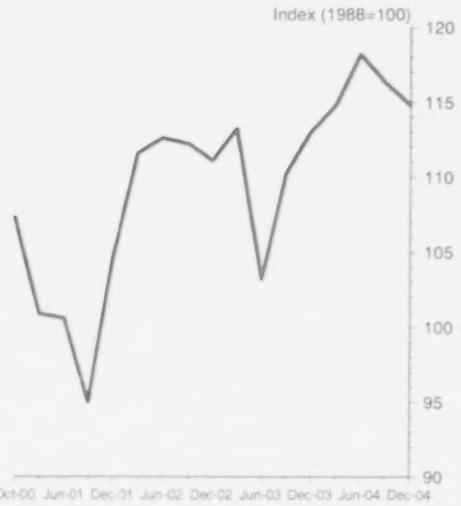
Both small businesses with employees and self-employed without paid help increased in 2004



Small Business Outlook

On balance, small businesses in British Columbia have a fairly positive outlook for the success of their enterprises in 2005; however, there are areas of concern. According to the Canadian Federation of Independent Business (CFIB) quarterly business barometer, the confidence of BC small and medium enterprises waned slightly in December, although BC business owners are still among the most positive in the country.[1]

The outlook of BC businesses has weakened, but they remain among the most upbeat in the country



Source: Canadian Federation of Independent Business

The level of optimism expressed by businesses depends largely on the type of industry in which they operate. The rapid rise in the value of the Canadian dollar relative to its American counterpart has had a strong influence on the profitability of many enterprises. For some of these, particularly those involved in exporting goods or services to the United States, the effect has been negative, while for others, the higher dollar has had a positive influence. Accordingly, sectors that are identified in the CFIB survey as being the least optimistic include hotels and motels, which are heavily dependent on tourists and therefore are vulnerable to exchange rate effects, while those that are most optimistic include service providers that generally cater to domestic patrons, such as barbershops and beauty salons.

Although BC's economy is largely export-oriented, only a small percentage of BC small businesses are exporters. According to Statistics Canada's *Exporter Registry*, less than two percent of BC small businesses export goods to international destinations. Unfortunately, there is no hard data on what proportion export services, but for those businesses that are mainly involved in retailing or in manufacturing goods for consumption within Canada, the higher dollar may actually be a blessing. The appreciation of the dollar has made it cheaper to import equipment and supplies from the United States, which may reduce the cost of doing business for these enterprises by allowing them to boost productivity through capital improvements or to increase demand for their products through reduced prices.

Expectations of manufacturers

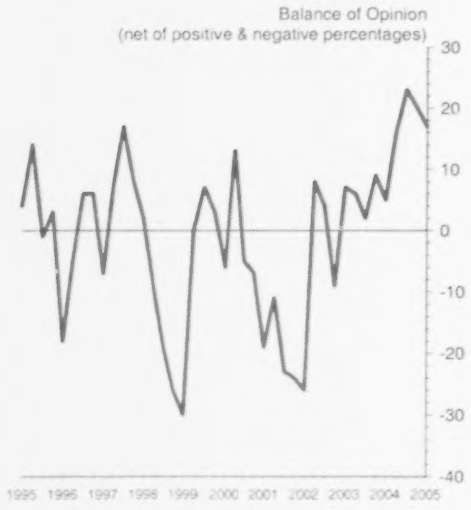
Statistics Canada surveys Canadian manufacturers for their opinions regarding current business conditions at the beginning of every quarter. According to the latest *Business Conditions Survey* done in January, small manufacturers in BC (those with annual shipments of less than $10 million) have fairly good expectations with regard to the level of production they expect to see in the coming months. This is in stark contrast

[1] Mallett, Ted. Quarterly Business Barometer, 2004 No. 4, Canadian Federation of Independent Business (December 2004).

with larger manufacturers, who have flipped their expectations from a more positive outlook for the fourth quarter of 2004, to a very negative expectation for the first quarter of 2005. In other words, a far larger percentage of large producers (27%) had expectations that production volumes would be too low, compared to only 12% that thought volumes would be too high, for a net balance of opinion of –15 (i.e., the percentage point difference in the two extremes). Small manufacturers, on the other hand, had a balance of opinion of +12.

The same was true for the expected number of new orders. While, on balance, small producers expect an increase in new orders (+17), larger manufacturers have gone from positive expectations of +13 for the fourth quarter of 2004 to a slightly negative outlook of –3 for the first quarter of 2005.

The expectation of small BC manufacturers is for an increase in orders for their products



Source: Statistics Canada, *Business Conditions Survey*

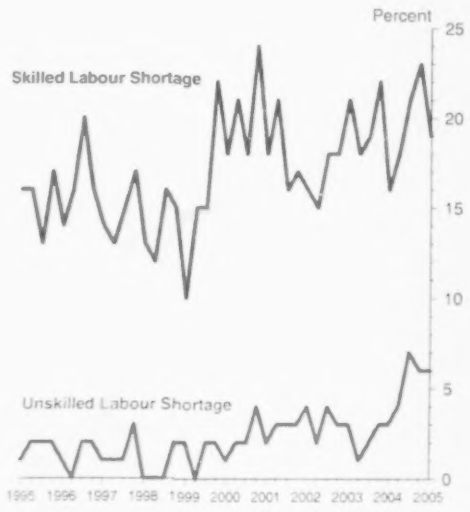
Inventory levels are another indication of the split between large and small producers. While, on balance, inventories are just about where they should be for small manufacturers, larger producers tend to have more of a problem with excess inventories.

The variation in expectations between large and small producers may be related to the value of the dollar and the likelihood that larger manufacturers are probably more apt to export their goods than are smaller enterprises.

Production difficulties

Both large and small manufacturers report production difficulties to some degree, but this is one area where the smaller producers seem to have more trouble, particularly when it comes to attracting labour. This is especially true of skilled labour, where, on average, about a fifth of small producers report difficulties with shortages. This has been a reasonably consistent problem, but seems to have worsened in the last few years. Shortages of unskilled labour have not usually been a problem, but in the last year more small producers are reporting difficulties in recruiting unskilled workers.

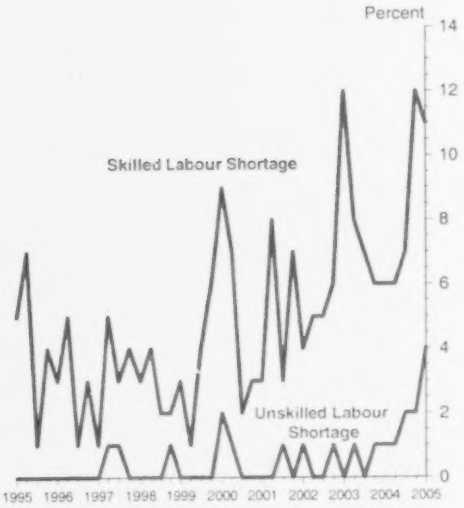
Small BC manufacturers are reporting increasing difficulty in finding both skilled and unskilled labour



Source: Statistics Canada, *Business Conditions Survey*

Although larger manufacturers seem to have fewer problems with regard to labour shortages, they have been experiencing increased difficulty in this area in the last couple of years. Skilled labour shortages are far more common now than they were just a few years ago and shortages of unskilled labour have gone from virtually nil to becoming a problem for 4% of large producers.

Larger manufacturers are also experiencing problems recruiting workers



Source: Statistics Canada, *Business Conditions Survey*

As the leading edge of the baby boom generation starts to retire in large numbers in the next few years, the problem with labour shortages could be exacerbated. These firms will either have to find new ways to attract and retain workers, or improve the productivity of the employees they already have. Perhaps the lower cost of imports resulting from the higher exchange rate will be helpful in this regard, as firms can now buy machinery and equipment from the US at significantly reduced prices compared to just a couple of years ago.

Conclusion

The results of the CFIB survey of its members and Statistics Canada's *Business Conditions Survey* seem to indicate that the majority of small businesses in BC, including small manufacturers, are fairly upbeat about their prospects in the coming months. While production difficulties such as labour shortages are definitely a long-term concern, the outlook seems positive for the short-term, at least. The exception may be for businesses that are affected by the upward movement of the exchange rate, such as tourism-related enterprises and exporters.

Recent Feature Articles Listed by Issue Number

04-4: *'Small Business Outlook'* (released Mar 2004)

04-3: *'Lumber Dispute Big Issue for Small Business'* (released Dec 2004)

04-2: *'Small Business and Older Workers'* (released Oct 2004)

04-1: *'Small Business Suffers Gas Pains'* (released Jun 2004)

03-4: *'Small Business is Embracing the Internet'* (released Mar 2004)

03-3: *'Cost of Insurance is the Top Concern for Small Business in BC'* (released Dec 2003)

03-2: *'Chartered Bank Business Loans Continue to Decline'* (released Sep 2003)

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02-3: *'Profile of Women Entrepreneurs'* (released Jan 2003)

02-2: *'A Comparison of Small Business Size, 1993 and 2001'* (released Sep 2002)

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01-1: *'Small Business On-Line: Internet Use Among SMEs'* (released Sep 2001)

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99-1: '*Self-Employment In* British Columbia Takes On New Profile' (released Sep 1999)

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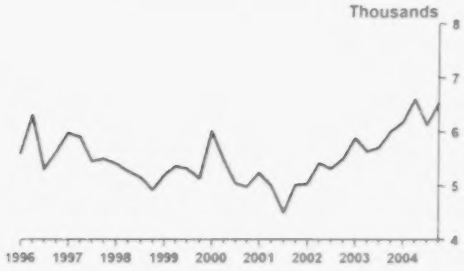
98-3: '*The Long and the Short of Working Hours For Self-Employed'* (released Dec1998)

98-2: '*People Trying Self-Employment As A Second Job'* (released Aug 1998)

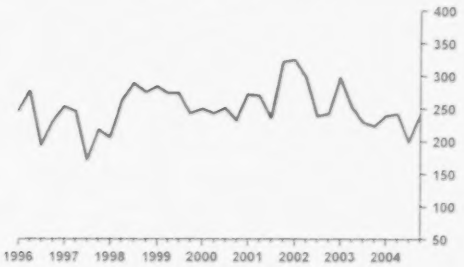
98-1: '*British Columbians Still Making Their Own Jobs'* (released May 1998)

Business Counts, Formations and Failures

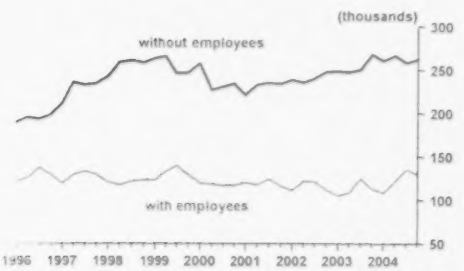
New Business Incorporations in British Columbia



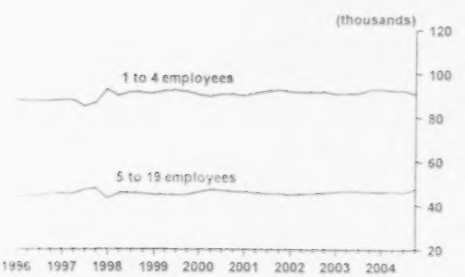
Number of Business Bankruptcies in British Columbia



Self-Employed Persons



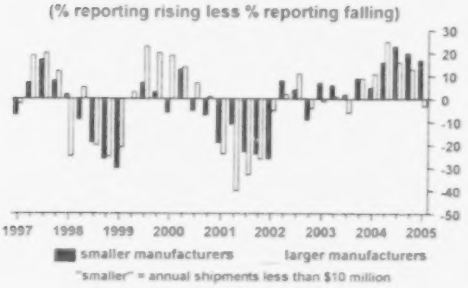
Small Businesses With Employees



Business Conditions

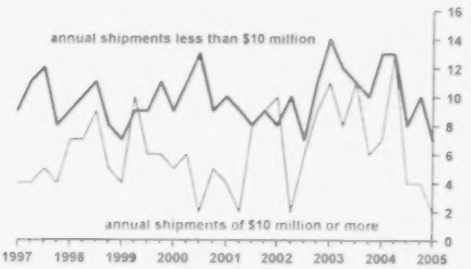
Balance of Opinion on New Orders Received at Start of Quarter

(% reporting rising less % reporting falling)

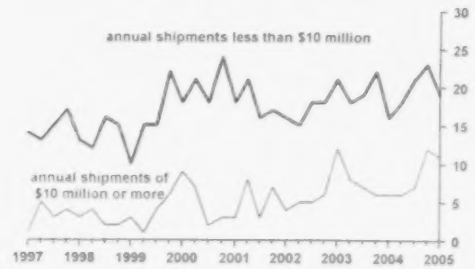


"smaller" = annual shipments less than $10 million

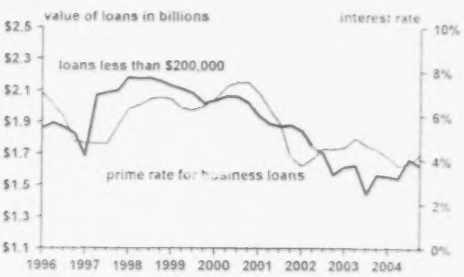
Per Cent of Manufacturers Experiencing Shortage of Working Capital



Per Cent of Manufacturers Experiencing Shortage of Skilled Labour



Chartered Bank Business Loans in British Columbia



Period	Active Employer Businesses [1] by number of employees						Employment [2] by number of employees in business				Self-employed [3]		
	Total	1-4	5-9	10-19	20-49	1-49	Total [4]	1-19	20-49	50+	Total [5]	with paid help	without paid help
	('000)						('000)				('000)		
Annual Averages													
1994	137.6	79.5	25.3	17.4	10.6	132.8					310.1	131.9	173.6
1995	143.7	84.7	26.0	17.6	10.7	138.9					306.5	128.4	172.6
1996	148.2	87.9	26.5	18.1	10.8	143.2					327.1	128.7	193.7
1997	150.9	87.2	27.5	19.2	11.7	145.5					361.4	128.3	226.7
1998	153.7	91.6	26.9	18.2	11.5	148.2					382.6	121.2	255.1
1999	154.6	92.0	26.8	18.2	11.9	148.9					392.1	131.5	255.5
2000	156.6	90.5	27.5	19.3	13.0	150.3	1,565.3	411.5	181.9	971.9	361.4	118.3	237.3
2001	156.9	91.5	27.2	18.5	12.4	149.7	1,585.7	412.3	186.3	987.1	354.7	120.1	230.7
2002	156.8	91.8	27.2	18.3	12.4	149.6	1,601.4	412.3	193.9	995.1	360.3	117.0	240.6
2003	157.6	91.4	27.8	18.7	12.5	150.4	1,626.2	417.1	200.2	1,008.8	370.5	113.4	253.4
2004	158.4	92.1	27.7	18.9	12.5	151.2	-	-	-	-	388.1	124.2	261.9
% change 2003-2004	0.5%	0.7%	-0.4%	1.0%	0.1%	0.5%	-	-	-	-	4.7%	9.5%	3.3%
Quarterly	*End of Quarter*						*Quarterly*				*Quarterly Averages*		
2002 Q1	156.2	91.9	27.0	18.2	12.1	149.1	1,562.7	401.5	181.8	979.4	353.2	111.5	238.6
Q2	156.5	91.7	27.0	18.2	12.3	149.3	1,606.2	412.8	197.4	996.0	359.2	122.3	235.7
Q3	157.0	91.7	27.3	18.3	12.5	149.7	1,615.5	420.0	200.5	995.0	365.5	121.8	240.3
Q4	157.6	91.8	27.3	18.5	12.6	150.3	1,621.1	415.1	195.9	1,010.1	363.1	112.3	247.8
2003 Q1	157.2	90.9	27.8	18.6	12.6	149.8	1,602.1	405.7	191.2	1,005.3	357.4	105.5	248.4
Q2	157.4	91.0	27.9	18.7	12.6	150.2	1,644.3	418.8	203.1	1,022.5	360.9	109.3	247.5
Q3	157.5	91.1	27.9	18.8	12.5	150.3	1,627.1	425.0	205.3	996.8	378.1	125.4	250.2
Q4	158.4	92.8	27.7	18.6	12.3	151.3	1,631.3	419.1	201.4	1,010.8	385.6	113.6	267.6
2004 Q1	158.7	93.0	27.5	18.7	12.3	151.6	1,613.0	415.3	196.9	1,000.7	371.7	108.7	260.3
Q2	158.5	92.5	27.7	18.8	12.3	151.3	1,669.4	434.8	203.7	1,030.9	390.5	122.3	266.5
Q3	158.0	92.4	27.5	18.6	12.3	150.8	1,662.8	437.6	207.4	1,017.8	395.7	136.1	258.2
Q4	158.4	90.6	28.1	19.4	13.0	151.0	-	-	-	-	394.4	129.5	262.5
% change year-over-year last available quarter	0.0%	-2.4%	1.6%	4.2%	5.6%	-0.2%	2.2%	3.0%	1.0%	2.1%	2.3%	14.1%	-1.9%
Monthly													
Mar-04											371.6	109.6	259.5
Apr-04											376.7	119.2	257.0
May-04											391.6	123.3	266.6
Jun-04											403.3	124.5	276.0
Jul-04											402.0	141.6	259.1
Aug-04											395.6	133.2	261.4
Sep-04											389.5	133.5	254.2
Oct-04											396.7	133.8	261.1
Nov-04											395.3	135.2	258.1
Dec-04											391.2	119.6	268.2
Jan-05											401.8	131.0	266.0
Feb-05											405.7	130.4	269.6
% change year-over-year last available month											10.4%	17.2%	6.1%
year-to-date	-	-	-	-	-	-	-	-	-	-	403.8	130.7	267.8

Notes:

[1] Source: Business Register

[2] Source: Survey of Employment, Payroll and Hours

[3] Source: Labour Force Survey

[4] Industrial aggregate excluding unclassified

[5] Total self-employed includes persons working in family business without pay

Source: Statistics Canada

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Period	Business Formation Indicators: New BC Business Incorporations	Business Formation Indicators: Registrations Extraprovincial Companies (number)	Business Formation Indicators: Registrations Unincorporated Businesses	Bankruptcies: Business (number)	Bankruptcies: Consumer (number)
Annual Totals					
1995	23,846	1,966	19,279	973	4,747
1996	22,848	2,061	20,367	948	6,436
1997	22,958	2,188	19,863	895	7,366
1998	20,759	2,233	19,507	1,031	7,327
1999	21,009	2,366	20,917	1,075	8,179
2000	21,515	2,528	20,822	976	9,181
2001	19,749	2,479	21,306	1,100	9,474
2002	21,262	2,383	22,487	1,105	9,527
2003	23,243	2,544	25,121	1,002	9,393
2004	25,428	2,456	25,244	921	8,386
% change 2003-2004	9.4%	-3.5%	0.5%	-8.1%	-10.7%
Quarterly Totals					
2001 Q1	5,236	714	5,400	272	2,503
Q2	4,997	663	5,853	270	2,483
Q3	4,504	546	4,959	236	2,232
Q4	5,012	556	5,094	322	2,256
2002 Q1	5,035	604	5,335	325	2,469
Q2	5,417	616	6,220	299	2,472
Q3	5,313	559	5,772	239	2,388
Q4	5,497	604	5,160	242	2,198
2003 Q1	5,878	694	6,878	297	2,467
Q2	5,638	674	6,642	253	2,463
Q3	5,711	547	5,852	229	2,272
Q4	6,016	629	5,749	223	2,191
2004 Q1	6,175	755	6,835	239	2,299
Q2	6,602	547	6,655	242	2,254
Q3	6,128	618	5,796	199	1,909
Q4	6,523	536	5,958	241	1,924
% change year-over-year last available quarter	8.4%	-14.8%	3.6%	8.1%	-12.2%
Monthly					
Mar-04	2,045	280	2,515	89	877
Apr-04	2,109	128	2,290	94	730
May-04	2,156	225	2,160	73	692
Jun-04	2,337	194	2,205	75	832
Jul-04	2,075	243	1,969	68	618
Aug-04	2,031	165	1,886	74	610
Sep-04	2,022	210	1,941	57	681
Oct-04	2,015	182	1,993	79	684
Nov-04	2,109	166	2,094	81	643
Dec-04	2,399	188	1,871	81	597
Jan-05	2,141	174	1,806	52	665
Feb-05	2,223	187	2,266	-	-
year-to-date	4,364	361	4,072	52	665
% change year-over-year last available month	10.3%	-16.5%	5.3%	-34.2%	0.0%

Sources: BC Ministry of Finance and Corporate Relations, Industry Canada

Period	Interest Rates			Exchange Rate	Consumer Price Index		
	Bank Rate	Prime Rate	Conventional 5 Year Mortgage	Canadian $ Average Noon Spot Rate	BC	Vancouver*	Victoria*
	(per cent)			(U.S. ¢)	(1992=100)		
Annual Averages							
1999	4.92	6.44	7.56	67.32	111.2	111.4	111.1
2000	5.77	7.27	8.35	67.34	113.3	113.9	113.0
2001	4.31	5.81	7.40	64.58	115.2	116.0	114.3
2002	2.71	4.21	7.02	63.69	117.9	118.6	117.4
2003	3.19	4.69	6.39	71.58	120.4	121.0	120.0
2004	2.50	4.00	6.23	76.98	122.8	123.4	122.8
% change 2003-2004	N/A	N/A	N/A	7.5%	2.0%	2.0%	2.3%
difference 2003-2004	-0.69	-0.69	-0.16	N/A	N/A	N/A	N/A
Quarterly Averages							
2001 Q1	5.58	7.08	7.58	65.47	113.5	114.4	112.5
Q2	4.83	6.33	7.67	64.89	115.6	116.3	114.8
Q3	4.17	5.67	7.50	64.69	116.4	117.2	115.4
Q4	2.67	4.17	6.87	63.28	115.2	116.0	114.6
2002 Q1	2.25	3.75	7.05	62.72	116.0	116.8	115.5
Q2	2.58	4.08	7.37	64.35	118.0	118.8	117.5
Q3	3.00	4.50	6.85	63.97	118.7	119.4	118.3
Q4	3.00	4.50	6.80	63.72	118.8	119.6	118.4
2003 Q1	3.08	4.58	6.63	66.26	119.7	120.4	119.3
Q2	3.50	5.00	6.20	71.58	120.3	120.9	119.8
Q3	3.17	4.67	6.28	72.46	120.9	121.4	120.5
Q4	3.00	4.50	6.45	76.00	120.8	121.4	120.5
2004 Q1	2.67	4.17	5.85	75.90	121.2	121.8	121.0
Q2	2.25	3.75	6.45	73.57	123.1	123.7	123.0
Q3	2.33	3.83	6.38	76.51	123.4	124.0	123.4
Q4	2.75	4.25	6.25	81.94	123.6	124.2	123.7
% change year-over-year last available quarter	N/A	N/A	N/A	7.8%	2.3%	2.3%	2.6%
difference year-over-year last available quarter	-0.25	-0.25	-0.20	N/A	N/A	N/A	N/A
Monthly							
Mar-04	2.50	4.00	5.70	75.28	121.6	122.2	121.3
Apr-04	2.25	3.75	6.15	74.49	122.4	123.0	122.2
May-04	2.25	3.75	6.50	72.55	123.4	124.0	123.2
Jun-04	2.25	3.75	6.70	73.66	123.6	124.1	123.5
Jul-04	2.25	3.75	6.55	75.65	123.4	123.9	123.3
Aug-04	2.25	3.75	6.30	76.23	123.3	124.0	123.3
Sep-04	2.50	4.00	6.30	77.65	123.5	124.1	123.6
Oct-04	2.75	4.25	6.40	80.20	123.5	124.2	123.6
Nov-04	2.75	4.25	6.30	83.61	123.7	124.2	123.8
Dec-04	2.75	4.25	6.05	82.03	123.5	124.2	123.6
Jan-05	2.75	4.25	6.05	81.61	123.6	124.3	123.6
Feb-05	2.75	4.25	6.05	80.67	-	-	-
% change year-over-year last available month	N/A	N/A	N/A	7.2%	2.3%	2.5%	2.5%
difference year-over-year last available month	0.00	0.00	0.25	N/A	N/A	N/A	N/A

* Census Metropolitan Area

Sources: Bank of Canada, Statistics Canada

Period	Commercial Building Permits			Industrial Building Permits			Urban Housing Starts	
	BC	Vancouver*	Victoria*	BC	Vancouver*	Victoria*	BC	Vancouver*
	($ thousands)			($ thousands)			(number)	
Annual Totals								
1997	1,358,450	849,207	78,280	285,814	163,773	6,777	25,210	15,950
1998	1,311,124	810,117	76,173	273,279	160,652	15,858	17,631	11,878
1999	1,142,105	652,159	101,453	319,145	172,604	5,931	14,176	8,677
2000	1,297,270	868,865	76,834	295,525	147,574	14,763	12,353	8,203
2001	1,171,233	718,860	86,782	221,353	105,178	21,843	15,689	10,862
2002	1,116,741	746,220	104,278	230,119	129,291	9,167	20,315	13,197
2003	1,129,623	607,764	134,420	244,024	90,082	20,451	24,720	15,626
2004	1,228,027	812,400	67,800	328,050	140,419	8,120	30,875	19,430
% change 2003-2004	8.7%	33.7%	-49.6%	34.4%	55.9%	-60.3%	24.9%	24.3%
Quarterly Totals								
2000 Q1	310,172	243,234	10,966	60,084	20,194	1,258	2,219	1,527
Q2	363,163	205,899	30,805	83,816	44,182	6,223	3,559	2,468
Q3	336,460	218,441	17,911	78,563	41,930	364	3,310	1,989
Q4	287,475	201,291	17,152	73,062	41,268	6,918	3,265	2,219
2001 Q1	273,963	162,249	23,467	65,245	30,677	9,657	2,946	2,149
Q2	406,173	271,274	26,720	56,965	21,011	2,133	4,619	3,620
Q3	280,778	159,138	15,570	57,121	29,033	7,512	4,176	2,802
Q4	210,319	126,199	21,025	42,022	24,457	2,541	3,948	2,291
2002 Q1	198,407	125,804	18,170	25,849	12,710	2,091	3,659	2,285
Q2	353,724	264,566	28,515	73,400	42,047	3,452	5,279	3,548
Q3	266,902	144,797	41,744	79,205	47,950	2,380	5,934	4,020
Q4	297,708	211,053	15,849	51,665	26,584	1,244	5,443	3,344
2003 Q1	200,086	107,691	27,775	40,679	22,785	1,003	4,206	2,588
Q2	313,669	156,577	29,849	65,985	16,043	1,500	6,097	3,740
Q3	355,162	159,179	54,930	75,441	28,652	12,986	7,678	5,146
Q4	260,706	184,317	21,866	61,919	22,602	4,962	6,739	4,152
2004 Q1	260,672	174,174	14,042	47,164	10,009	3,393	6,079	3,698
Q2	374,553	266,254	17,076	79,549	41,841	1,791	9,008	6,064
Q3	328,277	198,638	13,676	92,804	28,585	1,781	8,533	5,437
Q4	264,525	173,334	23,006	108,533	59,984	1,155	7,255	4,231
% change year-over-year last available quarter	1.5%	-6.0%	5.2%	75.3%	165.4%	-76.7%	7.7%	1.9%
Monthly								
Mar-04	84,556	47,710	3,683	15,345	2,648	489	2,022	1,025
Apr-04	96,061	67,202	6,207	13,719	7,680	528	3,499	2,479
May-04	94,662	70,163	4,876	17,612	8,643	846	2,856	1,856
Jun-04	183,830	128,889	5,993	48,218	25,518	417	2,653	1,729
Jul-04	78,358	47,377	4,221	27,024	14,890	435	2,478	1,467
Aug-04	132,967	81,294	4,491	37,720	6,525	500	3,264	2,288
Sep-04	116,952	69,967	4,964	28,060	7,170	846	2,791	1,682
Oct-04	84,135	54,474	3,128	14,598	4,030	641	2,104	1,151
Nov-04	77,179	42,534	9,596	68,221	43,152	252	2,789	1,703
Dec-04	103,211	76,326	10,282	25,714	12,802	262	2,362	1,377
Jan-05	91,509	70,232	2,440	20,733	4,850	4,734	1,909	1,352
Feb-05	-	-	-	-	-	-	2,016	1,210
year-to-date	91,509	70,232	2,440	20,733	4,850	4,734	3,925	2,562
% change year-over-year last available month	-15.1%	-16.5%	-14.6%	197.2%	143.8%	1432.0%	13.7%	14.8%

* Census Metropolitan Area

Sources: Canada Mortgage and Housing, Statistics Canada
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Period	Chartered Bank Business Loans in British Columbia			
	Less than $200,000	$200,000 to $500,000	Greater than $500,000	Total
	($ millions)			
Annual Averages				
1994	1,779	1,222	8,551	11,551
1995	1,791	1,451	9,043	12,284
1996	1,861	1,508	9,162	12,530
1997	1,985	1,724	10,081	13,790
1998	2,172	1,825	11,077	15,074
1999	2,084	1,710	10,807	14,601
2000	2,045	1,605	10,575	14,224
2001	1,896	1,516	9,746	13,158
2002	1,710	1,393	9,373	12,475
2003	1,558	1,297	9,491	12,347
2004	1,597	1,346	9,730	12,673
% change 2003-2004	2.5%	3.8%	2.5%	2.6%
Quarterly				
1997 Q1	1,686	1,534	9,853	13,073
Q2	2,068	1,751	9,751	13,570
Q3	2,088	1,770	10,337	14,195
Q4	2,098	1,841	10,384	14,323
1998 Q1	2,180	1,842	11,115	15,137
Q2	2,174	1,842	11,338	15,354
Q3	2,178	1,816	11,104	15,098
Q4	2,157	1,801	10,750	14,708
1999 Q1	2,128	1,792	10,908	14,828
Q2	2,108	1,735	10,975	14,818
Q3	2,080	1,686	10,876	14,642
Q4	2,020	1,627	10,467	14,114
2000 Q1	2,035	1,631	10,636	14,302
Q2	2,063	1,638	10,812	14,513
Q3	2,059	1,586	10,608	14,253
Q4	2,021	1,564	10,244	13,829
2001 Q1	1,942	1,561	10,171	13,674
Q2	1,890	1,539	9,552	12,981
Q3	1,873	1,502	9,599	12,974
Q4	1,879	1,461	9,662	13,002
2002 Q1	1,842	1,484	9,912	13,238
Q2	1,742	1,439	9,897	13,078
Q3	1,702	1,400	9,344	12,446
Q4	1,552	1,247	8,337	11,136
2003 Q1	1,599	1,312	9,159	12,070
Q2	1,626	1,327	9,795	12,748
Q3	1,445	1,292	9,700	12,437
Q4	1,563	1,258	9,311	12,132
2004 Q1	1,555	1,337	9,560	12,452
Q2	1,545	1,350	9,928	12,823
Q3	1,666	1,348	9,549	12,563
Q4	1,622	1,349	9,882	12,853
% change year-over-year last available quarter	3.8%	7.2%	6.1%	5.9%

Source: Bank of Canada

Manufacturers' Outlook for Business Conditions
Companies With Annual Shipments Less Than $10 Million

Period	Balance of Opinion at the Beginning of Quarter* (net of positive & negative percentages)			Percent of Manufacturers Experiencing Production Difficulties From:		
	Inventory Levels High or Low	Orders Rising or Falling	Anticipated Production This Quarter	Working Capital Shortage	Skilled Labour Shortage	Unskilled Labour Shortage
	(index)			(%)		
Annual Averages						
1992	13	-11	-6	12	10	0
1993	7	1	2	14	13	1
1994	9	16	15	10	17	1
1995	5	5	6	12	16	2
1996	4	-3	2	9	17	1
1997	4	6	4	10	15	2
1998	8	-13	-7	10	14	1
1999	6	-5	5	9	16	2
2000	8	-1	6	11	20	2
2001	9	-19	-9	9	18	3
2002	1	-6	-1	9	17	3
2003	7	6	11	12	20	2
2004	5	16	16	11	20	5
Quarterly						
2000 Q1	4	-6	-8	9	18	1
Q2	10	13	26	11	21	2
Q3	8	-5	10	13	18	2
Q4	8	-7	-4	9	24	4
2001 Q1	6	-19	-10	10	18	2
Q2	13	-11	19	9	21	3
Q3	10	-23	-6	8	16	3
Q4	8	-24	-38	9	17	3
2002 Q1	3	-26	-16	8	16	4
Q2	2	8	27	10	15	2
Q3	-1	4	3	7	18	4
Q4	1	-9	-17	11	18	3
2003 Q1	6	7	2	14	21	3
Q2	8	6	22	12	18	1
Q3	8	2	10	11	19	2
Q4	7	9	8	10	22	3
2004 Q1	7	5	-2	13	16	3
Q2	5	16	31	13	18	4
Q3	2	23	25	8	21	7
Q4	6	20	11	10	23	6
2005 Q1	1	17	12	7	19	6

* **Note:** For Inventory Levels, a positive balance indicates too much inventory, and is thus unfavourable.
For New Orders and Production, a positive balance of opinion is favourable.

Note: These data are gathered from the *Business Conditions Survey*, which is conducted quarterly in January, April, July and October. Most responses are recorded in the first two weeks of these months. Manufacturers with more employees have a correspondingly larger impact on the results.

Manufacturers' Outlook for Business Conditions
Companies With Annual Shipments of $10 Million or More

Period	Balance of Opinion at the Beginning of Quarter* (net of positive & negative percentages)			Percent of Manufacturers Experiencing Production Difficulties From:		
	Inventory Levels High or Low	Orders Rising or Falling	Anticipated Production This Quarter	Working Capital Shortage	Skilled Labour Shortage	Unskilled Labour Shortage
	(index)			(%)		
Annual Averages						
1992	22	-5	-8	21	3	0
1993	30	4	3	12	3	0
1994	9	22	10	10	7	0
1995	2	18	8	5	4	0
1996	40	-8	-7	7	3	0
1997	29	12	12	4	3	1
1998	32	-16	-1	7	3	0
1999	19	6	10	7	4	0
2000	10	10	11	5	5	1
2001	24	-31	-5	6	5	0
2002	15	1	5	7	5	1
2003	15	1	9	9	8	1
2004	7	16	10	7	8	2
Quarterly						
2000 Q1	7	19	12	5	9	2
Q2	19	14	11	6	7	1
Q3	16	7	14	2	2	0
Q4	-4	1	6	5	3	0
2001 Q1	19	-24	-7	4	3	0
Q2	27	-40	4	2	8	0
Q3	37	-33	-9	8	3	1
Q4	14	-26	-7	9	7	0
2002 Q1	15	-5	-2	10	4	1
Q2	13	2	15	2	5	0
Q3	13	11	6	6	5	0
Q4	19	-4	-1	9	6	1
2003 Q1	16	-1	-8	11	12	0
Q2	15	1	15	8	8	1
Q3	20	-6	18	11	7	0
Q4	10	9	10	6	6	1
2004 Q1	5	11	2	7	6	1
Q2	-1	25	24	13	6	1
Q3	16	16	7	4	7	2
Q4	9	13	7	4	12	2
2005 Q1	14	-3	-15	2	11	4

* **Note:** For Inventory Levels, a positive balance indicates too much inventory, and is thus unfavourable. For New Orders and Production, a positive balance of opinion is favourable.

Note: These data are gathered from the *Business Conditions Survey*, which is conducted quarterly in January, April, July and October. Most responses are recorded in the first two weeks of these months. Manufacturers with more employees have a correspondingly larger impact on the results.

Source: Statistics Canada
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